Constellation Oil Services Holding S.A. (formerly named QGOG Constellation S.A.)

Amended and Restated
Consolidated Financial Statements for the Year Ended December 31, 2017 and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

Atendimento Prisma

TABLE OF CONTENTS

Amended and Restated Consolidated Statement of Financial Position 5
Amended and Restated Consolidated Statement of Operations 7
Amended and Restated Consolidated Statement of Comprehensive Income/ (Loss) 8
Amended and Restated Consolidated Statement of Changes in Shareholders' Equity 9
Amended and Restated Consolidated Statement of Cash Flows 10
NOTES TO THE AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2017 AND FOR THE YEAR THEN ENDED 11
1. GENERAL INFORMATION 11
2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) 14
3. SIGNIFICANT ACCOUNTING POLICIES 17
4. CRITICAL ACCOUNTING ESTIMATES 25
5. CONSOLIDATED ENTITIES AND INVESTMENTS 34
6. CASH AND CASH EQUIVALENTS 35
7. SHORT-TERM INVESTMENTS 36
8. RESTRICTED CASH 36
9. TRADE AND OTHER RECEIVABLES 37
10. INVENTORIES 37
11. RELATED PARTY TRANSACTIONS 38
12. INVESTMENTS 41
13. PROPERTY, PLANT AND EQUIPMENT 49
14. LOANS AND FINANCINGS 51
15. PROVISIONS 55
16. PROVISION FOR CONTINGENCIES 56
17. DERIVATIVES 57
18. SHAREHOLDERS' EQUITY 59
19. NET OPERATING REVENUE 62
20. COST OF SERVICES AND OPERATING EXPENSES 63
21. OTHER EXPENSES, NET 63
22. FINANCIAL EXPENSES, NET 64
23. TAXES 64
24. FINANCIAL INSTRUMENTS 66
25. INSURANCE 71
26. PENSION PLAN 72
27. ADDITIONAL INFORMATION ON CASH FLOWS 72
28. SUBSEQUENT EVENTS 72
29. APPROVAL OF THE AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS 75

Atendimento Prisma

Deloitte.

Deloitte Touche Tohmatsu
Rua São Bento, 18 -
15º e 16º andares
20090-010 - Rio de Janeiro - RJ
Brasil

Tel.: + 55 (21) 3981-0500
Fax: + 55 (21) 3981-0600
www.deloitte.com.br

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Constellation Oil Services Holding S.A. (formerly named QGOG Constellation S.A.)

Disclaimer of Opinion

We were engaged to audit the amended and restated consolidated financial statements of Constellation Oil Services Holding S.A., formerly named QGOG Constellation S.A. (the "Company", or together with its subsidiaries, the "Group"), which comprise the amended and restated consolidated statement of financial position as at December 31, 2017, and the amended and restated consolidated statements of comprehensive income, of changes in shareholders' equity and of cash flows for the year then ended, and notes to the amended and restated consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying amended and restated consolidated financial statements of the Group. Because of the significance and aggregation of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these amended and restated consolidated financial statements.

Atendimento Prisma

Basis for Disclaimer of Opinion

Material uncertainty related to the Group's ability to continue as a going concern

As disclosed in Notes 1, 14 and 28 to the amended and restated consolidated financial statements, the Group presents the following conditions, as at December 31, 2017:

(i) A net working capital deficiency in the amount of US$421,990 thousand, mainly related to the current portion of its loans and financings and lower operating cash flow generation during the year then ended.

(ii) An ongoing loans liability management process over which the Group, until the date of this report, has not been able to conclude and, therefore, the Group filed a request for a judicial recovery proceeding (the "RJ Plan") pursuant to the Brazilian Bankruptcy Law (Law No. 11,101/2005) with the 1st Corporate Court of the Judicial District of the State Capital of Rio de Janeiro (the "Brazilian RJ Court"), which is subject to approval by the general meeting of creditors and the Brazilian RJ Court.

(iii) An uncertainty on whether the Group's project financings debt balances may become due and payable in the short-term as a result of the non-compliance with certain restrictive debt covenants, as further described in the *Non-compliance with certain restrictive debt covenants* subsection of our report, despite the aforementioned RJ Plan.

(iv) An operational scenario in which, except for the Laguna Star and Brava Star drillships and the Olinda Star and Atlantic Star offshore drilling rigs charter and service-rendering agreements, the remaining charter and service-rendering agreements are ended as at the date of this report and have not been renewed so far.

The aforementioned conditions indicate that a material uncertainty exists that may cast significant doubts on the Group's ability to continue as a going concern.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and relates services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 225,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn or Twitter.

© 2018 Deloitte Touche Tohmatsu. All rights reserved.

Deloitte.

Partnership with Sete Brasil Participações S.A. and its subsidiaries - Investments in associate entities

The Group, through its subsidiary Angra Participações B.V., is a non-controlling shareholder in the associate entities Urca Drilling B.V., Bracuhy Drilling B.V. and Mangaratiba Drilling B.V. (hereinafter together referred to as the "Investees"). The controlling shareholder of the Investees is Sete International One GmbH ("Sete International"), a subsidiary of Sete Brasil Participações S.A. ("Sete Brasil"). The Group's fifteen percent equity participation balance in the Investees amounts to zero as at December 31, 2017.

As disclosed in Note 12 to the amended and restated consolidated financial statements, as at December 31, 2017, the Investees present shareholders' equity deficiency in the total aggregate amount of US$1,335,699 thousand and total comprehensive loss in the total aggregate amount of US$74,437 thousand for the year then ended. Such balances have not been audited by us or by any other independent auditor.

Sete Brasil has been facing funding and liquidity difficulties to meet its operational and financial commitments in order to complete the construction of its semi-submersible offshore drilling rigs (including those related to the aforementioned Investees), and thus, on April 29, 2016, it has filed a request for a judicial recovery proceeding. These conditions indicate that a material uncertainty exists that may cast significant doubts on the Investees' ability to continue as a going concern.

Until the date of this report, we were not able to obtain sufficient appropriate audit evidence regarding the Group's investment amounts in the Investees as at December 31, 2017, the Group's share of results on the Investees for the year then ended and related disclosures in Note 12 to the amended and restated consolidated financial statements. Accordingly, we were not able to determine whether any adjustments to the Investees' balances as at December 31, 2017 and transactions for the year then ended or additional disclosures to Note 12 to the amended and restated consolidated financial statements were due necessary.

Related-party transactions with Alperton Capital Ltd.

As disclosed in Note 11 (a) to the amended and restated consolidated financial statements, the Group presents non-current assets and liabilities balances with the related-party Alperton Capital Ltd. ("Alperton") related to shareholders and project financings loan agreements aiming the construction, chartering and operation of the Amaralina Star and Laguna Star drillships. As at December 31, 2017, these balances amounts to US$381,125 thousand and US$345,042 thousand, being loans receivables and intercompany loans payable, respectively. The net income of these assets and liabilities related-party transactions recorded in the year ended December 31, 2017, as financial result, amounts to US$7,950 thousand.

We have not been able to obtain the external confirmation of Alperton, aiming to corroborate and confirm the assets and liabilities related-party balances and transactions. As a result, we were not able to determine whether any adjustments to the related-party balances and transactions as at December 31, 2017 and for the year then ended or additional disclosures to Note 11 (a) to the amended and restated consolidated financial statements were due necessary.

Additionally, we draw attention to Note 28 to the amended and restated consolidated financial statements, which discloses that the Group, through its subsidiary Constellation Overseas Ltd., has entered into an arbitration process with Alperton. At this stage, management is not able to predict the outcome of said arbitration process. Accordingly, we were not able to determine the potential effects, if any, of this matter in the amended and restated consolidated financial statements and related disclosures.

©2018 Deloitte Touche Tohmatsu. All rights reserved.

Deloitte.

Incomplete disclosure of information required under IAS 36 – Impairment of Assets

As disclosed in Note 13 to the amended and restated consolidated financial statements, the Group has estimated the recoverable amount of its offshore drilling rigs and drillships under the income approach method of valuation ("value in use"), by a discounted projected net cash flow analysis over the remaining economic useful life of each individual equipment.

In accordance with item 130 (g) of IAS 36, if the recoverable amount of a non-current asset is determined based on value in use, when an impairment loss is recognized or reversed during the period, the entity shall disclose the discount rate used in the current and previous estimate of value in use. The Group is not disclosing the discount rate (pre-tax rate based on its WACC) used in the impairment test for its equipment as at December 31, 2017 and for the year ended, as required by IFRSs.

Non-compliance with certain restrictive non-financial debt covenants

As disclosed in Note 14 (c) to the amended and restated consolidated financial statements, the Group has not been able to comply with certain restrictive non-financial debt covenants related to its loans and financings agreements.

As disclosed in Note 1 to the amended and restated consolidated financial statements, the Group is currently under an ongoing loans liability management process and has filed a request for a RJ Plan. Nevertheless, the Group has formally communicated the aforementioned event of default to the lenders and/or their administrative agents. Until the date of this report, management has not been able to obtain a formal waiver letter from the lenders and/or their administrative agents indicating whether the event of default would result in the full anticipation of its debt balance. Accordingly, we were not able to determine the potential effects, if any, of this matter in the amended and restated consolidated financial statements and related disclosures.

Atendimento Prisma

Emphasis of Matter

Partnership with SBM Offshore N.V. and its subsidiaries - Contingent liability

We draw attention to Note 12 to the amended and restated consolidated financial statements, which discloses the ongoing contingent liability process of the Group's investments in associate and joint venture entities held with its partner, SBM Offshore N.V. and its subsidiaries, related to operations in Brazil. Our disclaimer of opinion is not modified in respect of this matter.

Restatement of consolidated financial statements

We draw attention to Note 3.18 to the amended and restated consolidated financial statements, which discloses that the consolidated financial statements as at December 31, 2017 and for the year then ended have been amended and are being restated from those on which we originally reported on April 25, 2018. Our disclaimer of opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Amended and Restated Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the amended and restated consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

©2018 Deloitte Touche Tohmatsu. All rights reserved.

Deloitte.

In preparing the amended and restated consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

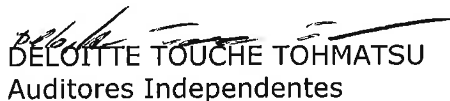
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Amended and Restated Consolidated Financial Statements

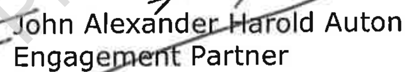
Our responsibility is to conduct an audit of the Group's amended and restated consolidated financial statements in accordance with International Standards on Auditing ("ISAs") and to issue an auditor's report. However, because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these amended and restated consolidated financial statements.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA code.

Rio de Janeiro, Brazil
December 20, 2018



DELOITTE TOUCHE TOHMATSU
Auditores Independentes



John Alexander Harold Auton
Engagement Partner

Atendimento Prisma

©2018 Deloitte Touche Tohmatsu. All rights reserved.

CONSTELLATION OIL SERVICES HOLDING S.A. (FORMERLY NAMED QGOG CONSTELLATION S.A.)

AMENDED AND RESTATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2017
(Amounts expressed in thousands of U.S. dollars - US$'000)

ASSETS	Note	December 31, 2017 (Restated)	December 31, 2016
CURRENT ASSETS			
Cash and cash equivalents	6	216,263	293,189
Short-term investments	7	13,500	113,866
Restricted cash	8	39,035	43,222
Trade and other receivables	9	67,144	81,050
Inventories	10	33,251	184,691
Recoverable taxes	23.a	9,377	4,005
Deferred mobilization costs		8,532	10,999
Receivables from related parties	11	1,377	3,034
Derivatives	17	106	-
Other current assets		17,613	10,226
Total current assets		406,198	744,282
NON-CURRENT ASSETS			
Receivables from related parties	11	382,151	339,096
Derivatives	17	1,938	946
Other non-current assets		1,139	999
Deferred mobilization costs		4,186	6,584
Recoverable taxes	23.a	7,684	5,840
Deferred tax assets	23.c	10,999	7,505
Inventories	10	143,231	-
Investments	12	257,923	253,268
Property, plant and equipment, net	13	2,371,280	3,921,943
Total non-current assets		3,180,531	4,536,181
TOTAL ASSETS		3,586,729	5,280,463

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

Atendimento Prisma

CONSTELLATION OIL SERVICES HOLDING S.A. (FORMERLY NAMED QGOG CONSTELLATION S.A.)

AMENDED AND RESTATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2017
(Amounts expressed in thousands of U.S. dollars - US$'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	December 31, 2017 (Restated)	December 31, 2016
CURRENT LIABILITIES			
Loans and financings	14	655,788	674,085
Payroll and related charges		22,844	31,046
Derivatives	17	2,817	12,784
Trade and other payables		37,537	29,488
Payables to related parties	11	1,428	2,049
Taxes payables	23.b	3,986	2,317
Provisions	15	4,391	1,230
Deferred revenues		32,562	62,741
Other current liabilities		66,835	65,251
Total current liabilities		828,188	880,991
NON-CURRENT LIABILITIES			
Loans and financings	14	999,395	1,521,604
Payables to related parties	11	345,042	309,871
Derivatives	17	-	3,853
Deferred revenues		-	34,397
Other non-current liabilities		25,272	1,604
Total non-current liabilities		1,369,709	1,871,329
TOTAL LIABILITIES		2,197,897	2,752,320
SHAREHOLDERS' EQUITY			
Share capital	18.a	63,200	63,200
Share premium	18.a	766,561	766,561
Transaction costs on issuance of shares		(9,721)	(9,721)
Reserves	18.b/d	(10,697)	(18,352)
Retained earnings		628,826	1,678,422
Equity attributable to the owners of the Group		1,438,169	2,480,110
Equity/ (deficiency) attributable to non-controlling interests	18.e	(49,337)	48,033
TOTAL SHAREHOLDERS' EQUITY		1,388,832	2,528,143
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,586,729	5,280,463

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

Atendimento Prisma

CONSTELLATION OIL SERVICES HOLDING S.A. (FORMERLY NAMED QGOG CONSTELLATION S.A.)

AMENDED AND RESTATED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands of U.S. dollars - US$'000, except per share amounts)

	Note	Year-ended December 31, 2017 (Restated)	Year-ended December 31, 2016
NET OPERATING REVENUE	19	945,790	1,119,656
COST OF SERVICES	20	(532,443)	(538,264)
GROSS PROFIT		413,347	581,392
General and administrative expenses	20	(27,484)	(44,153)
Other income	21	2,787	18,899
Other expenses	21	(1,442,536)	(268,551)
OPERATING PROFIT/ (LOSS)		(1,053,886)	287,587
Financial income	22	15,276	15,317
Financial expenses	22	(131,911)	(133,344)
Foreign exchange variation loss, net	22	(608)	(721)
FINANCIAL EXPENSES, NET		(117,243)	(118,748)
Share of results of investments	12	22,333	3,365
PROFIT/ (LOSS) BEFORE TAXES		(1,148,796)	172,204
Taxes	23.d	119	(12,603)
PROFIT/ (LOSS) FOR THE YEAR		(1,148,677)	159,601
Profit/ (loss) attributable to:			
Owners of the Group		(1,049,596)	138,723
Non-controlling interests		(99,081)	20,878
Profit/ (loss) per share (in U.S. dollars - US$)			
Basic	18.f	(5.55)	0.73
Diluted	18.f	(5.55)	0.73

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

Atendimento Prisma

CONSTELLATION OIL SERVICES HOLDING S.A. (FORMERLY NAMED QGOG CONSTELLATION S.A.)

AMENDED AND RESTATED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands of U.S. dollars - US$'000)

	Note	Year-ended December 31, 2017 (Restated)	Year-ended December 31, 2016
PROFIT/ (LOSS) FOR THE YEAR		(1,148,677)	159,601
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges fair value adjustments	17/18.d	7,044	2,103
Share of investments' other comprehensive income	12/18.d	4,529	1,716
Foreign currency translation adjustments	18.d	(2,207)	10,721
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR		(1,139,311)	174,141
Comprehensive income/ (loss) attributable to:			
Owners of the Group		(1,041,941)	153,453
Non-controlling interests		(97,370)	20,688

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

Atendimento Prisma

CONSTELLATION OIL SERVICES HOLDING S.A. (FORMERLY NAMED QGOG CONSTELLATION S.A.)

AMENDED AND RESTATED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands of U.S. dollars - US$'000)

					Reserves						Equity/ (deficiency) attributable to		
	Note	Share capital	Share premium	Transaction costs on issuance of shares	Legal	Cash flow hedges fair value adjustments	Share of investments' other comprehensive loss	Foreign currency translation adjustments	Total reserves	Retained earnings (Restated)	Owners of the Group (Restated)	Non-controlling interests (Restated)	Total shareholders' equity (Restated)
BALANCE AS OF DECEMBER 31, 2015		63,200	766,561	(9,721)	5,683	(6,042)	(13,872)	(18,851)	(33,082)	1,634,115	2,421,073	27,345	2,448,418
Profit for the year		-	-	-	-	-	-	-	-	138,723	138,723	20,878	159,601
Other comprehensive income for the year	18.d	-	-	-	-	2,293	1,716	10,721	14,730	-	14,730	(190)	14,540
Total comprehensive income for the year		-	-	-	-	2,293	1,716	10,721	14,730	138,723	153,453	20,688	174,141
Payment of dividends	18.c	-	-	-	-	-	-	-	-	(94,416)	(94,416)	-	(94,416)
BALANCE AS OF DECEMBER 31, 2016		63,200	766,561	(9,721)	5,683	(3,749)	(12,156)	(8,130)	(18,352)	1,678,422	2,480,110	48,033	2,528,143
Loss for the year		-	-	-	-	-	-	-	-	(1,049,596)	(1,049,596)	(99,081)	(1,148,677)
Other comprehensive income for the year	18.d	-	-	-	-	5,333	4,529	(2,207)	7,655	-	7,655	1,711	9,366
Total comprehensive income/ (loss) for the year		-	-	-	-	5,333	4,529	(2,207)	7,655	(1,049,596)	(1,041,941)	(97,370)	(1,139,311)
BALANCE AS OF DECEMBER 31, 2017		63,200	766,561	(9,721)	5,683	1,584	(7,627)	(10,337)	(10,697)	628,826	1,438,169	(49,337)	1,388,832

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

Atendimento Prisma

CONSTELLATION OIL SERVICES HOLDING S.A. (FORMERLY NAMED QGOG CONSTELLATION S.A.)

AMENDED AND RESTATED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts expressed in thousands of U.S. dollars - US$'000)

	Note	Year-ended December 31, 2017 (Restated)	Year-ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) for the year		(1,148,677)	159,601
Adjustments to reconcile profit/ (loss) for the year to net cash provided by/ (used in) operating activities:			
Depreciation of property, plant and equipment	13/20	229,881	233,836
Loss (gain) on sales of property, plant and equipment, net	21	(16)	157
Impairment loss recognised on property, plant and equipment	13/21	1,400,470	261,802
Inventory write-down	21	-	6,055
Provision for onerous contract	1.b/21	35,984	-
Share of results of investments	12	(22,334)	(3,365)
Recognition of deferred mobilization costs		10,999	12,413
Recognition of deferred revenues, net of taxes levied		(66,592)	(63,086)
Financial expenses on loans and financings	14.a/22	119,749	114,029
Financial income from related parties, net	11/22	(6,530)	(7,358)
Fair value loss on derivatives	17/22	5,006	8,561
Provision for employee profit sharing plan		26	15,642
Other financial expenses (income), net	22	(982)	3,516
Recognition (reversal) of provisions	15/21	3,179	(352)
Taxes	23.d	(119)	12,603
Decrease/(increase) in assets:			
Short-term investments		100,372	136,190
Trade and other receivables		13,746	33,251
Receivables from related parties		1,882	(1,646)
Inventories		7,487	(3,132)
Recoverable taxes		143	4,002
Deferred taxes		(236)	379
Deferred mobilization costs		(6,134)	3
Other assets		(108)	22,344
Increase/(decrease) in liabilities:			
Payroll and related charges		(8,016)	(26,889)
Trade and other payables		8,171	771
Payables to related parties		(40)	8
Taxes payables		1,744	(969)
Deferred revenues		2,016	20,770
Provisions		-	(3,191)
Other liabilities		(3,245)	(19,408)
Cash provided by operating activities		677,826	916,537
Income tax and social contribution paid		(11,132)	(25,666)
Net cash provided by operating activities		666,694	890,871
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from related parties	11.f	-	6,267
Dividends received	12	6,600	-
Capital decrease in investments	12	2,575	16,183
Capital contributions in investments	12	-	(8,316)
Acquisition of property, plant and equipment	13	(80,190)	(86,161)
Proceeds from sales of property, plant and equipment	21	31	171
Net cash used in investing activities		(70,984)	(71,856)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to related parties		(2,008)	-
Dividends paid	18.c	-	(94,416)
Transaction costs paid	14.a	(23,524)	-
Interest paid on loans and financings	14.a	(104,250)	(104,346)
Cash payments on derivatives	17	(12,880)	(25,446)
Restricted cash	8	4,187	(21,478)
Repayment of principal on loans and financings	14.a	(532,481)	(435,344)
Net cash used in financing activities		(670,956)	(681,030)
Increase/(decrease) in cash and cash equivalents		(75,246)	137,985
Cash and cash equivalents at the beginning of the year	6	293,189	154,810
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,680)	394
Cash and cash equivalents at the end of the year	6	216,263	293,189

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

Atendimento Prisma

Atendimento Prisma

1. GENERAL INFORMATION

Constellation Oil Services Holding S.A., formerly named QGOG Constellation S.A., (the "Company", or together with its subsidiaries, the "Group") was incorporated in Luxembourg on August 30, 2011, as a "*société anonyme*" (i.e., public company limited by shares) and is indirectly controlled by members of the Queiroz Galvão family. The Company has its registered address at 8-10, Avenue de la Gare, L-1610 Luxembourg.

The Company's objectives are: (i) to hold investments in Luxembourg or foreign countries; (ii) to acquire any securities and rights through participation, contribution, underwriting firm purchase or option, negotiation or in any other way and namely to acquire patents and licenses, and other property, rights and interest in property as deemed necessary, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as deemed necessary, and in particular for shares or securities of any entity purchasing the same; (iii) to enter into, assist or participate in financial, commercial and other transactions, and to grant to any holding entity, subsidiary, or fellow subsidiary, or any other entity associated in any way with the Company, or the said holding entity, subsidiary or fellow subsidiary, in which the Company has a direct or indirect financial interest, any assistance, loans, advances or guarantees; (iv) to borrow and raise funds in any manner and to secure the repayment of any funds borrowed; and (v) to perform any operation that is directly or indirectly related to its purpose. The Company's fiscal year is from January 1 to December 31.

The Company holds investments in subsidiaries that own, charter and operate onshore and offshore drilling rigs and drillships for exploration and production entities operating mainly in Brazil. The Group currently charters its onshore and offshore drilling rigs and drillships mainly to Petróleo Brasileiro S.A. – Petrobras, which is an independent third party of the Group and had valid charter and service-rendering agreements until November 2018. As disclosed in Note 12, the Group, through certain of its associate and joint venture entities, also has valid agreements with Petrobras until 2036.

The Group's capacity to participate in tenders of Petrobras, its main client (Note 24.b), is solely dependent upon the discretionary decision of Petrobras to invite it or not, based on Petrobras' internal criteria such as compliance, operational, commercial, technical and economic background, among others. The Group has taken the necessary actions and measures to comply with Petrobras' requirements, enabling it to continue participating in Petrobras' tenders. Additionally, the Group is currently exploring other commercial opportunities with global Oil & Gas industry players (Note 28).

The Group's operations are indirectly dependent upon conditions in the oil and gas industry and, specifically, on the exploration and production expenditures of oil and gas entities. The demand for charter and service-rendering agreements for drilling and related services provided by the Group is influenced by, among other factors, oil and gas prices, expectations about future prices, the cost of producing and delivering oil and gas, government regulations and local and international political and economic conditions.

圖 圖

The Group is currently pursuing opportunities to expand and diversify its client portfolio, including new locations. Accordingly, subsidiaries/offices have already been established in important international markets such as London (UK) and Houston (USA), specifically focusing on strategic markets such as India, West Africa and the Gulf of Mexico. As a result of these actions, the Group has participated in some bids and was awarded with a three year contract in India, as disclosed in Note 1.b.

Also, the Group is prepared to take advantage of the opportunities that will arise in the Brazilian market as a result of the changes in Brazil's oil and gas regulation issued by the National Petroleum Agency ("*Agência Nacional do Petróleo* - ANP"), such as opening of pre-salt oil fields to non-Petrobras operators, new local content rules and Petrobras divestiture plans.

Management believes that the aforementioned commercial strategies, combined with cost containment measures, capital expenditures discipline and its strong operational track record, will position the Group to benefit from the expected recovery in the oil and gas industry.

a) Fleet of drilling rigs and drillships

<u>Offshore drilling units</u>

Drilling units	Type	Start of operations	Contract expiration date (current or previous)	Customer (current or previous)
Atlantic Star	Semi-submersible	1997	November 2018	Petrobras
Olinda Star	Semi-submersible	2009	January 2021 (Note 1.b)	ONGC
Gold Star	Semi-submersible	2010	February 2018	Petrobras
Lone Star	Semi-submersible	2011	March 2018	Petrobras
Alpha Star (*)	Semi-submersible	2011	July 2017	Petrobras
Amaralina Star	Drillship	2012	September 2018	Petrobras
Laguna Star	Drillship	2012	November 2018	Petrobras
Brava Star	Drillship	2015	August 2018	Petrobras

Atendimento Prisma

<u>Onshore drilling units</u>

Drilling units	Type	Start of operations	Contract expiration date (current or previous)	Customer (current or previous)
QG-I	Onshore drilling rig	1981	June 2018 (Note 1.f)	Zeus
QG-II (*)	Onshore drilling rig	1981	November 2015	Petrobras
QG-III (*)	Onshore drilling rig	1987	April 2016	Petrobras
QG-IV (*)	Onshore drilling rig	1996	June 2015	Petrobras
QG-V (*)	Onshore drilling rig	2011	April 2015	Petrobras
QG-VI (*)	Onshore drilling rig	2008	May 2016	Petrobras
QG-VII (*)	Onshore drilling rig	2008	July 2015	Petrobras
QG-VIII (*)	Onshore drilling rig	2011	June 2017 (Note 1.g)	Rosneft
QG-IX (*)	Onshore drilling rig	2011	June 2014	HRT O&G Exploração e Produção de Petróleo Ltda.

(*) As of December 31, 2017, these onshore and offshore drilling rigs were not hired under charter and service-rendering agreements. The Group is continuously seeking for new customers.

b) Olinda Star offshore drilling rig charter and service-rendering agreements

On December 21, 2015, the Group signed an agreement with Karoon Petróleo e Gás Ltda. ("Karoon") to charter and render drilling services in two oil wells, with an extension option for two additional oil wells, which expired in August 2017. On April 25, 2017, the Group announced that Olinda Star had been awarded a three-year contract with Oil and Natural Gas Corporation ("ONGC"), an Indian oil and gas exploration and production state-owned company, for operations within an offshore area in India. Operations commenced on January 12, 2018, supported by the Letter of Award (LOA), and the contract was signed on March 14, 2018.

On December 31, 2017, the Group recognized a provision for onerous contract in the amount of US$35,984, related to the contract between Olinda Star and ONGC, recognized as "Other Expenses" (Note 21).

c) Lone Star offshore drilling rig scheduled 5-year survey

On March 20, 2016, the Lone Star offshore drilling rig started its 5-year survey and on April 26, 2016, it returned to operate under the current charter and service-rendering agreements with Petrobras, which expired in March 2018.

d) Amaralina Star offshore drilling rig scheduled 5-year survey

On October 30, 2017, the Amaralina Star offshore drilling rig started its 5-year survey and on December 13, 2017, it returned to operate under the current charter and service-rendering agreements with Petrobras, which expires in September 2018.

e) Alpha Star offshore drilling rig charter and service-rendering agreements

On July 11, 2011, the Group started the operations of the Alpha Star offshore drilling rig under a 6-year term charter and service-rendering agreements with Petrobras. On October 20, 2016, the Alpha Star offshore drilling rig started its scheduled 5-year survey and on November 24, 2016, it returned to operate under the current charter and service-rendering agreements with Petrobras, which expired on July 8, 2017, and thus the Group is currently seeking for new customers. Alpha Star offshore drilling rig is currently under preservation in Rio de Janeiro, Brazil.

f) Onshore drilling rig QG-I charter and service-rendering agreements

On October 25, 2017, the Group, through its subsidiaries Domenica S.A. ("Domenica") and Serviços de Petróleo Constellation S.A. ("SPC"), formerly named Queiroz Galvão Óleo e Gás S.A., signed agreements to charter the onshore drilling rig QG-I and render drilling services to Zeus ÖL S.A. ("Zeus"). The purpose of the agreements is to drill up to two oil wells in the Carandayty Basin (Paraguay), under a 180-days minimum term as from the commencement day. The operations commenced on December 28, 2017.

g) Onshore drilling rig QG-VIII charter and drilling services agreements

On October 3, 2016, the Group signed agreements to charter the onshore drilling rig QG-VIII and render drilling services for Rosneft Brasil E&P Ltda. ("Rosneft"). The purpose of the agreements was to drill one oil well in the Solimões Basin (Brazil), under a 170-days minimum term counting from January 9, 2017, the beginning of the mobilization. The charter and drilling services agreements expired on June 28, 2017, and thus the Group is currently seeking for new customers.

Atendimento Prisma

h) Going concern

Besides the aforementioned ongoing commercial and operational strategies, financial restructuring actions aiming improving the Group's liquidity position by extending the maturity of its existing debt (negative net working capital in the amounts of US$421,990 and US$136,709 as of December 31, 2017 and 2016, respectively) are being taken through a loans liability management process. Since the end of 2017, the Group has been engaged in discussions with its financial creditors regarding the terms of a comprehensive restructuring aiming achieving a sustainable capital structure. The Group intends to achieve this goal by extending debt maturities, reducing fixed amortization, amending financial covenants and raising new capital with its shareholders. The first part of this plan was successfully initiated by issuing the Senior Secured Notes due in 2024 (the "New Notes"), as disclosed in Note 14 (a), the maturity extension of Amaralina Star Bank Tranche Loans balloon payment from September 28, 2018 to December 8, 2018 and the maturity extension of its working capital credit lines with Bradesco from September 21, 2018 to December 8, 2018 (Note 28). These extensions provided additional time for the Group to further advance the ongoing negotiations with its financial creditors.

After considering the challenges of the Group's economic and financial situation in connection with the maturity schedule of its financial debts and the urgent need to adopt measures aiming to protect the Group, it was concluded that a judicial recovery request filing (the "RJ") on a partially consensual basis in Brazil would be the most appropriate course of action. In that regard, prior to this filing, the Group executed a Plan Support Agreement (the "PSA"), under which its financial creditors holding approximately 50% of the Group's funded debt consented to the RJ filing and have agreed to support the approval of an agreed comprehensive RJ reorganization plan (the "Agreed RJ Plan"), subject to the satisfaction of certain precedent conditions, including agreement on definitive documentation, new money funding of US$27 million by the Group's shareholders, approval of the RJ Plan and filing of an order enforcing such plan in a U.S. court. With the execution of the PSA and subject to the foregoing conditions being satisfied, the Group believes that it has already obtained sufficient support to obtain creditors' approval of the Agreed RJ Plan, and once implemented, it will allow the Group to achieve its goal of restructuring its debts and right sizing its capital structure.

Atendimento Prisma

On December 6, 2018, the Company and certain of its subsidiaries (hereinafter together referred to as the "RJ Debtors") filed voluntary petitions for RJ (the "RJ Proceedings") pursuant to the Brazilian Bankruptcy Law (Law No. 11,101/2005) with the 1st Corporate Court of the Judicial District of the State Capital of Rio de Janeiro (the "RJ Court") and pursuant to the approval by the Company's Board of Directors on December 5, 2018.

Under Brazilian law, the RJ Debtors are required to submit to the RJ Court a list of their creditors for publication, (the "First List of Creditors"). The First List of Creditors was submitted by the RJ Debtors to the RJ Court on December 6, 2018 and was published in the Official Federal Gazette (*Diário Oficial da União)* on December 19, 2018. Consistent with the PSA, the RJ Debtors will file and solicit votes from its creditors on the Agreed RJ Plan by no later than February 7, 2019 and will endeavor to exit the RJ Proceedings as soon as June 6, 2019, subject to the approval by the RJ Court.

The execution of the PSA, filing of the petition that commenced the RJ Proceedings and the expected submission of the Agreed RJ plan are all steps toward our comprehensive financial restructuring and the achievement of our goal to have a sustainable capital structure.

The Group's operational continuity will significantly depend upon its ability to implement its ongoing commercial strategies (Note 28) and the positive outcome of the comprehensive financial restructuring that considers as an important assumption the approval of the aforementioned RJ plan. The Group's management understands that the actions taken so far at the date of approval of these amended and restated consolidated financial statements in addition with the RJ plan approval will enable the Group to maintain is operational continuity and comply with its financials commitments.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1. Amendments to IFRSs that are mandatorily effective for the current year

During the year-ended December 31, 2017, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for annual periods beginning on or after January 1, 2017. The Group has applied the following amendments to IFRSs, which had no significant impact on its amended and restated consolidated financial statements:

Standard	Description	Effective date
IAS 7 (Amendments)	Disclosure Initiative	January 1, 2017
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
IFRS 12 (Amendments)	Annual Improvements to IFRS Standards 2014-2016 Cycle	January 1, 2017

Atendimento Prisma

2.2. New and revised IFRSs in issue but not yet effective

The following new or revised and amended IFRSs will be effective for annual periods beginning on or after January 1, 2018 and 2019.

New or revised standards and interpretations

Standard or interpretation	Description	Effective date
IFRS 9 *Financial Instruments* (2014)	A finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and derecognition.	January 1, 2018
IFRS 15 *Revenue from Contracts with Customers*	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The 5-steps in the model are as follows: ✓ Identify the contract with the customer; ✓ Identify the performance obligations in the contract; ✓ Determine the transaction price; ✓ Allocate the transaction price to the performance obligations in the contracts; and ✓ Recognize revenue when (or as) the entity satisfies a performance obligation.	January 1, 2018

IFRIC 22 *Foreign Currency Transactions and Advance Considerations*	IFRIC 22 addresses foreign currency transactions or parts of transactions where: ✓ there is consideration that is denominated or priced in a foreign currency; ✓ the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and ✓ the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
IFRS 16 *Leases*	IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: ✓ Whether tax treatments should be considered collectively; ✓ Assumptions for taxation authorities' examinations; ✓ The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; ✓ The effect of changes in facts and circumstances.	January 1, 2019

Atendimento Prisma

Amendments to IFRSs

Standard	Description	Effective date
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: ✓ Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations); and ✓ Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.	Effective date deferred indefinitely.
Clarifications to IFRS 15 "Revenue from Contracts with Customers"	Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	January 1, 2018

Annual Improvements to IFRS Standards 2014-2016 Cycle	Makes amendments to the following standards: ✓ IFRS 1: Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose; and ✓ IAS 28: Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.	January 1, 2018
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	Makes amendments to the following standards: ✓ IFRS 3 and IFRS 11: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business; ✓ IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognized in profit or loss, regardless of how the tax arises; ✓ IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.	January 1, 2019
Editorial Corrections (various)	The IASB periodically issues Editorial Corrections and changes to IFRSs and other pronouncements. Since the beginning of calendar 2013, such corrections have been made in March 2013, September 2013, November 2013, March 2014, September 2014, December 2014, March 2015, April 2015, September 2015, December 2015, March 2016, May 2016, September 2016, and December 2016.	As minor editorial corrections, these changes are effectively immediately applicable under IFRS

The Group's management has conducted an analysis of the impacts arising from the adoption of these new or revised and amended IFRSs on its amended and restated consolidated financial statements. Based on the analysis carried out, the Group's management has concluded that the adoption of these new or revised and amended IFRSs did not significantly impact its amended and restated consolidated financial statements.

Atendimento Prisma

Atendimento Prisma

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the amended and restated consolidated financial statements are described below. These policies have been applied consistently for all reporting periods.

3.1 Statement of compliance

The amended and restated consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB").

3.2 Basis of preparation and consolidation

Preparation

The amended and restated consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting practices below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability, and if market participants would consider those characteristics when pricing the asset or liability at the measurement date.

Consolidation

The amended and restated consolidated financial statements incorporate the Company and its subsidiaries.

All intra-group transactions, balances, income and expenses are eliminated for consolidation purposes.

Continuity as a going concern

The Company's amended and restated consolidated financial statements were prepared on the going concern basis of accounting. Management assessed the Company's ability to continue as a going concern in light of the assumptions and matters disclosed in Note 1.

The significant accounting policies are set out below:

3.3 Functional currency and foreign currencies

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates (i.e., the "functional currency"). The Company's functional currency and most part of its subsidiaries is the U.S. dollar, since majority of the revenues and costs, debt and capital expenditures are denominated in this currency. The amended and restated consolidated financial statements are presented in thousands of U.S. dollars, which is the reporting currency of the Group.

Additionally, the Group has determined that the Brazilian real is the functional currency of SPC, Serviços de Petróleo Constellation Participações S.A. ("SPC Participações"), formerly named QGOG Participações S.A., Tarsus Serviços de Petróleo Ltda. and Manisa Serviços de Petróleo Ltda., since these subsidiaries' operations are located in Brazil and the majority of its revenues and costs are denominated in Brazilian reais. Consequently, in preparing these amended and restated consolidated financial statements, Management has translated the financial statements of these subsidiaries into U.S. dollars as follows:

- ✓ The assets and liabilities for each balance sheet presented are translated at the closing rate on the respective balance sheet date;
- ✓ Income and expenses for each statement of operations are translated at exchange rates at the dates of the transactions; for this purpose, average monthly exchange rates are used as they approximate to the exchange rates in force on the transaction dates; and
- ✓ Shareholders' equity accounts are translated using historical exchange rates.

Atendimento Prisma

All resulting exchange differences on currency translation adjustments are recognized as a separate component of other comprehensive income (Note 18.d).

In preparing the amended and restated consolidated financial statements, transactions in currencies other than the respective entity's functional currency (i.e., foreign currencies) are recognized at the exchange rates prevailing at the transaction dates. At the end of each reporting period, monetary and non-monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at that date. Currency translation adjustments of monetary items are recognized in profit or loss in the period in which they arise.

3.4 Current and non-current assets and liabilities

Current and non-current assets and liabilities are stated at net realizable value and settlement amounts, respectively, and include inflation adjustments or exchange rate variations, and income earned and expenses incurred, when applicable, recognized on a pro-rata basis through the balance sheet date.

3.5 Inventories

Inventories consist of spare parts, materials and supplies held for consumption in the drilling rigs and drillships operations and are stated at the lower of cost incurred and net realizable value. During periods of high drilling rigs and drillships utilization, inventories are entirely classified as current assets. Whenever a drilling rig or drillship is expected to end its charter agreement within a one-year period, all inventory that will not be consumed until the end of such agreement is reclassified to non-current assets. Inventories' costs are determined by using the average cost method of accounting.

3.6 Trade and other receivables

Trade and other receivables are initially measured at the fair value of the consideration to be received and, subsequently, at amortized cost and adjusted for allowances for credit losses and impairment, when due necessary.

3.7 Property, plant and equipment ("PP&E")

All PP&E is carried at cost less accumulated depreciation and impairment, when applicable. PP&E consists primarily of onshore and offshore drilling rigs, drillships and its related equipment.

Costs related to equipment under construction are recognized as PP&E cost, in accordance with the actual construction costs. A provision for corresponding unbilled costs from suppliers is recorded as an accrued liability.

Borrowing costs (including interest and fair value adjustments) are capitalized on equipment under construction.

Repair and maintenance costs related to periodic overhauls of the drilling rigs and drillships are capitalized, when the economic benefits associated with the item inflows to the Group and the costs can be reliable measured. These costs are depreciated over the period extending to the next periodic overhaul. Related costs are mainly comprised by shipyard costs and the costs of employees directly involved in the related project. All other repair and maintenance costs are charged to profit or loss in the period in which they are incurred.

The carrying amounts of these assets are based on estimates, assumptions and judgments relating to capitalized costs, useful lives and residual values of the drilling rigs and drillships. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future oil and gas industry conditions and operations. The Group computes depreciation using the straight-line method, considering the respective residual value of the related assets. When significant components of a PP&E item have different useful lives, those components are accounted for as separate PP&E items. Estimated useful lives of PP&E range from 5 (five) to 35 (thirty-five) years. At the end of each year, the Group reviews the estimated useful lives and residual values of PP&E.

3.8 Impairment of long-lived assets

Assets that are subject to depreciation and amortization are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (i.e., cash generating units). Non-financial assets that have been impaired are reviewed for possible impairment reversal at each balance sheet date.

Recoverable amounts are determined based on discounted future cash flows calculations and asset price evaluation, both requiring the use of estimates (Note 4.5).

During the years ended December 31, 2017 and 2016, the Group recognized impairment losses on long-lived assets (Notes 13 and 21).

Atendimento Prisma

ꕀ ꕀ

3.9 Cash and cash equivalents

Consists primarily of cash balances and cash investments measured at fair value through profit or loss. These cash investments have original maturities of three months or less with immediate liquidity, and are subject to a minimum risk of changes in value.

3.10 Short-term investments

Consists primarily of short-term investments measured at fair value through profit or loss. These investments have maturities of more than three months or with no fixed time for redemption.

3.11 Investments in associates and joint ventures

For investments in associates and joint ventures, the Group applies the equity method of accounting. Under such method, an investment is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income or loss of the investees. When the Group's share of losses of an investee exceeds its interest in that investee (which includes any long-term interests that, in essence, form part of the Group's net investment), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

The requirements of IAS 36 - *Impairment of Assets* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investees. When deemed necessary, the entire carrying amount of the investee is tested for impairment in accordance with IAS 36, as a single asset by comparing its recoverable amount (higher of value in use, measured by the discounted cash flows, and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investee. The reversal of an impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investee subsequently increases, other than where that impairment loss relates to goodwill.

Atendimento Prisma

When a Group entity transacts with an investee, profit or loss resulting from such transactions are recognized in the Company's amended and restated consolidated financial statements only to the extent of interests in the investees that are non related to the Group.

3.12 Provisions

Provisions are recognized when (i) the Group has a present obligation (legal or constructive) as a result of a past event; (ii) it is probable that the Group will be required to settle the obligation; and (iii) a reliable estimate of the obligation amount can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. Contingent risks assessed as "possible loss" are disclosed in these amended and restated consolidated financial statements, but not recorded in a specific liability account.

3.13 Revenue recognition

The charter and service-rendering revenues are recognized when the respective services are rendered based on the contracted day rates and the number of operating days during the period. Some of the charter and service-rendering agreements include uptime bonus payments depending on performance criteria established in the respective agreements. The Group recognizes bonus revenues in the same period that it meets the contractual criteria, renders the related services for which the specific performance criteria is met, and is preapproved by the customer. The Group may also earn revenues for the preparation and mobilization of equipment (drilling units) and personnel.

Mobilization revenues and costs are deferred and recognized on a straight-line basis over the period that the related charter and drilling services are rendered, which is consistent with the general pace of activity, level of services being provided and day rates being earned over the term of the related agreement.

Revenue is presented net of the related sales taxes after eliminating intercompany sales, when applicable.

Atendimento Prisma

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.15 Current and deferred income tax and social contribution

The provision for income tax and social contribution is based on taxable profit for the year. The taxable profit differs from profit before taxes presented in the statement of operations because it excludes revenues or expenses taxable or deductible in subsequent years, and excludes non-taxable or non-deductible items. The provision for income tax and social contribution is calculated for each individual entity of the Group, based on the rates prevailing at year-end according to the respective tax regulation in each jurisdiction.

Deferred taxes are recognized for temporary differences and tax loss carryforwards, when applicable. Deferred income tax and social contribution are recognized up to the amounts for which recovery is considered probable.

3.16 Financial instruments

Financial assets and liabilities

Financial assets and liabilities are initially recognized at fair value plus the costs directly attributable to their purchase or issue. Subsequent to initial recognition, the financial non-derivative assets and liabilities are measured as of each balance sheet date accordingly to their classification, which is defined upon initial recognition based on the purposes for which they were acquired or issued, as described below:

i. Financial assets measured at fair value through profit or loss: these include financial assets acquired for sale (acquired primarily to be sold in the short-term or settled against to loans or financings), or designated upon initial recognition at fair value through profit or loss. Interest, monetary and exchange variations and variations arising from fair value measurement are recognized in profit or loss as financial revenues or expenses, when incurred. For the years presented, the Group has short-term investments and restricted cash in this category (Note 24.a).

ii. Financial assets held to maturity: these include non-derivative financial instruments with fixed or determinable payments with defined maturities, for which the Group has the intention and capacity to hold to maturity. After the initial recognition, they are measured at the amortised cost based on the effective interest rate method less losses in recoverable amount, when applicable, and the variations are recognized in profit or loss as financial revenues or expenses, when incurred. For the years presented, the Group has no financial assets in this category.

iii. Loans and receivables: these include non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, which after initial recognition are measured based on the amortised cost under the effective interest rate method. The interest, monetary and exchange variations, less losses in recoverable amount, when applicable, are recognized in profit or loss as financial revenues or expenses, when incurred. For the years presented, the Group has cash and cash equivalents, trade and other receivables, and receivables from related parties in this category (Note 24.a).

iv. Available for sale: these include non-derivative financial assets that do not match the above categories, measured at their fair value. After initial recognition, available for sale financial assets are measured at fair value, with gains or losses recognized in other comprehensive income in the shareholders' equity until the investment is sold and the cumulative gain or loss previously reported is recognized in profit or loss. For the years presented, the Group has no financial assets in this category.

Financial liabilities are classified according to the following categories based on the nature of the financial instruments contracted or issued:

i. Financial liabilities measured at fair value through profit or loss: these include financial liabilities normally traded prior to maturity, liabilities designated upon initial recognition at fair value, except those designated as hedge instruments. They are remarked to fair value at each balance sheet date. The interest, monetary and exchange variations and variations resulting from the fair value, when applicable, are recognized in profit or loss, when incurred. For the years presented, the Group has derivative financial instruments in this category (Notes 17 and 24.a).

Atendimento Prisma

ii. Financial liabilities not measured at fair value: non-derivative financial liabilities that are not normally traded prior to maturity. After initial recognition they are measured on the amortised cost based on the effective interest rate method. The interest, monetary and exchange variations, when applicable, are recognized in profit or loss when incurred. For the years presented, the Group has loans and financings, trade and other payables, and payables to related parties in this category (Note 24.a).

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss are assessed for impairment indicators at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. The Group has not recognized impairment losses on financial assets.

Derivative financial instruments

The Group enters into derivative financial instruments, including interest rate swaps, to manage its exposure to interest rate risk. These derivatives are measured at fair value at inception and at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognized as a financial asset; a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is higher than 12 (twelve) months and it is not expected to be realised or settled within 12 (twelve) months.

Further details on derivative financial instruments are disclosed in Note 17.

Atendimento Prisma

Hedge accounting

The Group designates certain derivative instruments, used to protect it against interest rate risks, as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking the hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the financial income/ (expense) line item.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the amended and restated consolidated statement of operations as the recognized hedged item. However, when the hedged transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the transaction is ultimately recognized in profit or loss.

Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the rights to receive cash flows from the asset have expired or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. Financial liabilities are derecognized when the associated obligation has been discharged, cancelled or expired.

Atendimento Prisma

3.17 Cash flow statement

The cash flow statement is prepared using the indirect method, which separates cash flows from operating activities, investing activities and financing activities and reconciles profit for the year to net cash flows to the change in cash and cash equivalents. Investing and financing transactions that do not require the use of cash or cash and cash equivalents have been excluded from the cash flow statement and, when applicable, are disclosed in the consolidated financial statements. Dividends paid to ordinary shareholders are included in financing activities, while dividends received from subsidiaries are classified as investing activities. Interest paid is also presented as financing activities in the statement of cash flows.

3.18 Restatement of financial results

Due to discussions with Petrobras regarding the Group's ability to participate in future tenders (Note 1) and due to the fact that certain assumptions, which were previously considered in the impairment test in connection with the preparation of the 2017 year-ended consolidated financial statements were no longer accurate, management analyzed the substance of the aforementioned events and considered the need to restate the corresponding amounts related to the consolidated balance sheet as of December 31, 2017, and to the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, in accordance with technical pronouncements IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 1 - *Presentation of Financial Statements*.

Additionally, due to the accounting effects arising from the reassessment of the impairment test, management also considered it necessary to analyze the previously recognized provision for onerous contract related to the offshore drilling rig Olinda Star (Note 1 (b)) and considered the need to restate the corresponding amount.

The previously issued consolidated financial statements were originally authorized for issue by the Company's Board of Directors on April 20, 2018.

Considering that, the aforementioned event did not affect the opening balances, as at January 1, 2016, the third column of the balance sheet is not being presented.

a) Consolidated statement of financial position

ASSETS	December 31, 2017		
	Originally reported	Restatement	Restated
CURRENT ASSETS			
Cash and cash equivalents	216,263	-	216,263
Short-term investments	13,500	-	13,500
Restricted cash	39,035	-	39,035
Trade and other receivables	67,144	-	67,144
Inventories	33,251	-	33,251
Recoverable taxes	9,377	-	9,377
Deferred mobilization costs	8,532	-	8,532
Receivables from related parties	1,377	-	1,377
Derivatives	106	-	106
Other current assets	17,613	-	17,613
Total current assets	406,198	-	406,198
NON-CURRENT ASSETS			
Receivables from related parties	382,151	-	382,151
Derivatives	1,938	-	1,938
Other non-current assets	1,139	-	1,139
Deferred mobilization costs	4,186	-	4,186
Recoverable taxes	7,684	-	7,684
Deferred tax assets	10,999	-	10,999
Inventories	143,231	-	143,231
Investments	257,923	-	257,923
Property, plant and equipment, net	3,658,257	(1,286,977)	2,371,280
Total non-current assets	4,467,508	(1,286,977)	3,180,531
TOTAL ASSETS	4,873,706	(1,286,977)	3,586,729

Atendimento Prisma

LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2017		
	Originally reported	Restatement	Restated
CURRENT LIABILITIES			
Loans and financings	655,788	-	655,788
Payroll and related charges	22,844	-	22,844
Derivatives	2,817	-	2,817
Trade and other payables	37,537	-	37,537
Payables to related parties	1,428	-	1,428
Taxes payables	3,986	-	3,986
Provisions	4,391	-	4,391
Deferred revenues	32,562	-	32,562
Other current liabilities	68,918	(2,082)	66,836
Total current liabilities	830,271	(2,082)	828,189
NON-CURRENT LIABILITIES			
Loans and financings	999,395	-	999,395
Payables to related parties	345,042	-	345,042
Other non-current liabilities	29,436	(4,164)	25,272
Total non-current liabilities	1,373,873	(4,164)	1,369,709
TOTAL LIABILITIES	2,204,144	(6,247)	2,197,897
SHAREHOLDERS' EQUITY			
Share capital	63,200	-	63,200
Share premium	766,561	-	766,561
Transaction costs on issuance of shares	(9,721)	-	(9,721)
Reserves	(10,697)	-	(10,697)
Retained earnings	1,795,019	(1,166,193)	628,826
Equity attributable to the owners of the Group	2,604,362	(1,166,193)	1,438,169
Equity/ (deficiency) attributable to non-controlling interests	65,200	(114,537)	(49,337)
TOTAL SHAREHOLDERS' EQUITY	2,669,562	(1,280,730)	1,388,832
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	4,873,706	(1,286,977)	3,586,729

Atendimento Prisma

b) Consolidated statement of operations

	Year-ended December 31, 2017		
	Originally reported	Restatement	Restated
NET OPERATING REVENUE	945,790	-	945,790
COST OF SERVICES	(532,443)	-	(532,443)
GROSS PROFIT	413,347	-	413,347
General and administrative expenses	(27,484)	-	(27,484)
Other income	2,787	-	2,787
Other expenses	(161,806)	(1,280,730)	(1,442,536)
OPERATING PROFIT/ (LOSS)	226,844	(1,280,730)	(1,053,886)
Financial income	15,276	-	15,276
Financial expenses	(131,911)	-	(131,911)
Foreign exchange variation loss, net	(608)	-	(608)
FINANCIAL EXPENSES, NET	(117,243)	-	(117,243)
Share of results of investments	22,333	-	22,333
PROFIT/ (LOSS) BEFORE TAXES	131,934	(1,280,730)	(1,148,796)
Taxes	119	-	119
PROFIT/ (LOSS) FOR THE YEAR	132,053	(1,280,730)	(1,148,677)
Profit/ (loss) attributable to:			
Owners of the Group	116,597	(1,166,193)	(1,049,596)
Non-controlling interests	15,456	(114,537)	(99,081)

Atendimento Prisma

c) Consolidated statement of comprehensive income/ (loss)

	Year-ended December 31, 2017		
	Originally reported	Restatement	Restated
PROFIT/ (LOSS) FOR THE YEAR	132,053	(1,280,730)	(1,154,924)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges fair value adjustments	7,044	-	7,044
Share of investments' other comprehensive income	4,529	-	4,529
Foreign currency translation adjustments	(2,207)	-	(2,207)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	141,419	(1,280,730)	(1,145,558)
Comprehensive income/ (loss) attributable to:			
Owners of the Group	124,252	(1,166,193)	(1,041,941)
Non-controlling interests	17,167	(114,537)	(97,370)

d) Consolidated statement of cash flows

	Year-ended December 31, 2017		
	Originally reported	Restatement	Restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) for the year	132,053	(1,280,730)	(1,154,924)
Adjustments to reconcile profit/ (loss) for the year to net cash provided by operating activities:			
Depreciation of PP&E	229,881	-	229,881
Loss (gain) on sales of PP&E	(16)	-	(16)
Impairment loss recognized on PP&E	113,493	1,286,977	1,400,470
Provision for onerous contract	42,231	(6,247)	35,984
Share of results of investments	(22,333)	-	(22,333)
Recognition of deferred mobilization costs	10,999	-	10,999
Recognition of deferred revenues, net of taxes levied	(66,592)	-	(66,592)
Financial expenses on loans and financings	119,749	-	119,749
Financial income from related parties, net	(6,530)	-	(6,530)
Fair value loss on derivatives	5,006	-	5,006
Provision for employee profit sharing plan	26	-	26
Other financial expenses/ (income), net	(982)	-	(982)
Recognition (reversal) of provisions	3,179	-	3,179
Taxes	(119)	-	(119)
Decrease/(increase) in assets:			
Short-term investments	100,372	-	100,372
Trade and other receivables	13,746	-	13,746
Receivables from related parties	1,882	-	1,882
Inventories	7,487	-	7,487
Recoverable taxes	143	-	143
Deferred taxes	(236)	-	(236)
Deferred mobilization costs	(6,134)	-	(6,134)
Other assets	(108)	-	(108)
Increase/(decrease) in liabilities:			
Payroll and related charges	(8,016)	-	(8,016)
Trade and other payables	8,171	-	8,171
Payables to related parties	(40)	-	(40)
Taxes payables	1,744	-	1,744
Deferred revenues	2,016	-	2,016
Other liabilities	(3,245)	-	(3,245)
Cash provided by operating activities	677,827	-	677,827
Income tax and social contribution paid	(11,132)	-	(11,132)
Net cash provided by operating activities	666,695	-	666,695
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	6,600	-	6,600
Capital decrease in investments	2,575	-	2,575
Acquisition of property, plant and equipment	(80,190)	-	(80,190)
Proceeds from sales of property, plant and equipment	31	-	31
Net cash used in investing activities	(70,984)	-	(70,984)

Atendimento Prisma

CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to related parties	(2,009)	-	(2,009)
Transaction costs paid	(23,524)	-	(23,524)
Interest paid on loans and financings	(104,250)	-	(104,250)
Cash payments on derivatives	(12,880)	-	(12,880)
Restricted cash	4,187	-	4,187
Repayment of principal on loans and financings	(532,481)	-	(532,481)
Net cash used in financing activities	(670,957)	-	(670,957)
Increase/(decrease) in cash and cash equivalents	(75,246)	-	(75,246)
Cash and cash equivalents at the beginning of the year	293,189	-	293,189
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,680)	-	(1,680)
Cash and cash equivalents at the end of the year	216,263	-	216,263

The aforementioned events only impacted the consolidated statements of comprehensive loss and changes in shareholders' equity for the year ended December 31, 2017, with respect to the restated loss for the year ended December 31, 2017.

4 CRITICAL ACCOUNTING ESTIMATES

Atendimento Prisma

In applying the significant accounting policies described in Note 3, Management must use judgement and develop estimates for the carrying amounts of assets and liabilities, which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Therefore, future results could differ from those estimates.

The estimates and underlying assumptions are reviewed continuously. The effects of revisions to accounting estimates are recognized prospectively.

Management has concluded that the most significant judgments and estimates considered during the preparation of these amended and restated consolidated financial statements are the following:

4.1 Measurement of financial instruments

The Group uses valuation techniques that include the use of inputs that are (or not) based on observable market data to estimate the fair values of certain types of financial instruments. Details of the main assumptions used to measure the fair values of financial instruments are disclosed in Note 24 (fair value hierarchy).

Management believes that the selected valuation techniques and the assumptions used are appropriate to measure the fair values of its financial instruments.

4.2 Provision for impairment of trade and other receivables

The Group recognizes a provision for impairment on trade and other receivables when there is objective evidence that a loss event occurred after the initial recognition of the receivable and has an impact on the estimated future cash flows, which can be reliably estimated. Such evidence includes insolvency, defaults or a significant probability of a debtor filing for bankruptcy. As of December 31, 2017 and 2016, no provision for impairment on trade and other receivables was required (Note 9).

4.3 Provisions for claims and other obligations

Claims against the Group, including unasserted claims or assessments are recognized as a liability and/or are disclosed in Notes 3.12, 15 and 16, unless the loss probability is considered to be remote. A provision for claim and other obligation is recorded when the loss is probable and the amount can be reliably estimated. Claims and other similar obligations will be settled when one or more future events occur. Normally, the occurrence of such events is not within the Group's control and, therefore, the assessment of these liabilities is subject to varying degrees of legal uncertainty and interpretation, and requires significant estimates and judgments to be made by Management.

Certain conditions may exist as of the date of the amended and restated consolidated financial statements are issued, which may result in a loss to the Group, but which will only be resolved when one or more future events occur or fail to occur. The Group's management and its in-house legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Group or unasserted claims that may result in such proceedings, the Group's legal counsels evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the liability amount can be estimated, then the estimated liability is accrued in the Company's amended and restated consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, then the nature of the contingent liability is disclosed.

Atendimento Prisma

4.4 Useful lives of PP&E

The carrying amounts of PP&E assets are based on estimates, assumptions and judgments related to capitalized costs and useful lives of the drilling rigs, drillships and related equipment. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future oil and gas industry conditions and operations. The Group calculates depreciation using the straight-line method.

As described in Note 3.7, at the end of each year, the Group reviews the estimated useful lives of PP&E.

4.5 Impairment of long-lived assets

The Group evaluates PP&E for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group uses either discounted future cash flow projections (value in use) or fair value less costs to sell (market approach) techniques in testing an asset for potential impairment.

For value in use calculation, the Group's assumptions and estimates underlying this analysis includes the following, by drilling unit (i.e., cash generating units): dayrate, occupation rate, daily operating cost, useful life of the drilling rigs and drillships, and estimated proceeds that may be received on disposition.

The underlying assumptions are developed based on the historical data for each drilling unit, which considers rated water depth and other attributes and then assesses its future marketability according to the current and projected market environment at the time of assessment. Other assumptions, such as operating costs, are estimated using historical data adjusted for known developments and future events.

The Group prepares a probable scenario for each drilling unit, which results in a discounted cash flow projection for each drilling unit based on expected operational and macroeconomic assumptions (e.g., inflation indexes, foreign exchange rates, among others) and compare such amount to its carrying amount. Discount rates are based on the Group's internal Weighted Average Cost of Capital ("WACC").

Management's assumptions are necessarily subjective and are an inherent part of the Group's asset impairment evaluation, and the use of different assumptions could produce results that differ from those disclosed. The Group's methodology generally involves the use of significant unobservable inputs, representative of a Level 3 fair value measurement, which may include assumptions related to future dayrate revenue, costs and drilling unit utilization, the long-term future performance of the Group's drilling units and future market conditions. Management's assumptions involve uncertainties about future demand for the Group's services, dayrates, expenses and other future events, and Management's expectations may not be indicative of future outcomes. Significant unanticipated changes to these assumptions could materially alter the Group analysis in testing an asset for potential impairment.

Atendimento Prisma

Other events or circumstances that could affect the Group's assumptions may include, but are not limited to, a further sustained decline in oil and gas prices, cancelations of the Group's charter and service-rendering contracts or contracts of the Group's competitors, contract modifications, costs to comply with new governmental regulations, growth in the global oversupply of oil and geopolitical events, such as lifting sanctions on oil-producing nations. Should actual market conditions in the future vary significantly from market conditions used in the Group's projections, the Group's impairment assessment would likely be different.

During the years ended December 31, 2017 and 2016, impairment losses on long-lived assets were recognized by the Group (Notes 13 and 21).

4.6 Provision for employee profit sharing plan

The profit sharing paid to employees (including key management personnel) is based on the achievement of quality and financial performance metrics, as well as the individual objectives of employees, which are determined annually. This provision is set on a monthly basis and is recalculated at the year-end based on the best estimate of the achieved objectives as set out in the annual budget process.

4.7 Recoverable taxes and deferred tax assets

The Group recognizes deferred tax assets arising from temporary differences between accounting and taxable profits. Deferred tax assets are recognized to the extent that the Group expects to generate sufficient future taxable income based on projections and forecasts made by management. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and, if applicable, reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4.8 Inventory current and non-current segregation

The Company classifies inventories that are expected to be consumed within a twelve-month period as current assets. The Company considers that no inventory would be consumed during a period in which a drilling rig or drillship is not hired under a charter agreement in force. Therefore, when a charter agreement is expected to expire within a twelve-month period, the Company reclassifies all inventory to non-current assets. The amount reclassified is based on an estimate derived from the Company's annual budgeting process.

Atendimento Prisma

5 CONSOLIDATED ENTITIES AND INVESTMENTS

		Ownership interest (%)			
		December 31,			
		2017		2016	
Consolidated entities	Country of incorporation	Direct	Indirect	Direct	Indirect
Alaskan & Atlantic Cooperatief U.A.	Netherlands	-	100.00	-	100.00
Alaskan & Atlantic Rigs B.V.	Netherlands	-	100.00	-	100.00
Alaskan Star Ltd. (“Alaskan”)	British Virgin Islands	-	100.00	-	100.00
Alpha Star Equities Ltd. (“Alpha”)	British Virgin Islands	-	100.00	-	100.00
Amaralina Cooperatief U.A.	Netherlands	-	55.00	-	55.00
Amaralina Star Ltd. (“Amaralina”)	British Virgin Islands	-	55.00	-	55.00
Angra Participações B.V. (“Angra”)	Netherlands	100.00	-	100.00	-
Arazi S.à.r.l. (“Arazi”)	Luxembourg	100.00	-	100.00	-
Becrux B.V.	Netherlands	-	100.00	-	100.00
Belcher Group Inc.	British Virgin Islands	-	100.00	-	100.00
Bonvie Investments Inc.	British Virgin Islands	-	100.00	-	100.00
Brava Drilling B.V.	Netherlands	-	100.00	-	100.00
Brava Star Ltd.	British Virgin Islands	-	100.00	-	100.00
Centaurus S.à.r.l. (“Centaurus”)	Luxembourg	100.00	-	100.00	-
Constellation Africa Inc.	British Virgin Islands	-	100.00	-	100.00
Constellation Netherlands B.V.	Netherlands	100.00	-	100.00	-
Constellation Overseas Ltd. (“Constellation Overseas”)	British Virgin Islands	-	100.00	-	100.00
Constellation Panamá Corp.	Panamá	-	100.00	-	100.00
Constellation Services Ltd. (“Constellation Services”)	British Virgin Islands	-	100.00	-	100.00
Domenica S.A. (“Domenica”)	Paraguay	-	100.00	-	100.00
Domenica Argentina S.A.	Argentina	-	100.00	-	100.00
Dorghaly Technologies Inc.	British Virgin Islands	-	100.00	-	100.00
Eiffel Ridge Group C.V.	Netherlands	-	100.00	-	100.00
Gold Star Equities Ltd. (“Gold”)	British Virgin Islands	-	100.00	-	100.00
Hopelake Services Ltd.	British Virgin Islands	-	100.00	-	100.00
Keam Holdings C.V.	Netherlands	-	100.00	-	100.00
Laguna Cooperatief U.A.	Netherlands	-	55.00	-	55.00
Laguna Star Ltd. (“Laguna”)	British Virgin Islands	-	55.00	-	55.00
Lancaster Projects Corp. (“Lancaster”)	British Virgin Islands	-	100.00	-	100.00
London Tower International Drilling C.V.	Netherlands	-	100.00	-	100.00
London Tower Management B.V.	Netherlands	-	100.00	-	100.00
Lone Star Offshore Ltd. (“Lone”)	British Virgin Islands	-	100.00	-	100.00
Manisa Serviços de Petróleo Ltda.	Brazil	-	55.00	-	55.00
Melbhouse Park Ltd.	British Virgin Islands	-	100.00	-	100.00
New Canyon City Inc.	British Virgin Islands	-	100.00	-	100.00
Olinda Star Ltd. (“Olinda”)	British Virgin Islands	-	100.00	-	100.00
Palase C.V.	Netherlands	-	55.00	-	55.00
Palase Management B.V.	Netherlands	-	100.00	-	100.00
Podocarpus C.V.	Netherlands	-	55.00	-	55.00
Podocarpus Management B.V.	Netherlands	-	100.00	-	100.00
Positive Investments Management B.V.	Netherlands	100.00	-	100.00	-
Positives Investments C.V.	Netherlands	-	100.00	-	100.00
QGOG Atlantic / Alaskan Rigs Ltd.	British Virgin Islands	-	100.00	-	100.00
QGOG Constellation BVI Ltd.	British Virgin Islands	-	100.00	-	-
QGOG Constellation US LLC.	United States of America	-	100.00	-	100.00
QGOG Constellation UK Ltd.	England	100.00	-	100.00	-
Serviços de Petróleo Constellation Participações S.A.(formerly named QGOG Participações S.A.)	Brazil	-	100.00	-	100.00
QGOG Perforaciones S.A.C.	Peru	-	100.00	-	100.00
QGOG Star GmbH	Switzerland	100.00	-	100.00	-
Serviços de Petróleo Constellation S.A. (formerly named Queiroz Galvão Óleo e Gás S.A.)	Brazil		100.00		100.00
Queiroz Galvão Óleo e Gás S.A. (“QGOG India”)	India		100.00		-
Snover International Inc.	British Virgin Islands	-	100.00	-	100.00
Star International Drilling Ltd. (“Star”)	Cayman Island	-	100.00	-	100.00
Tarsus Serviços de Petróleo Ltda.	Brazil	-	55.00	-	55.00

Atendimento Prisma

Investments accounted for by the equity method

Entities	Country of incorporation	Indirect ownership interest (%) December 31, 2017	2016
Associates			
FPSO Capixaba Venture S.A. ("Capixaba") [1]	Switzerland	20.0	20.0
SBM Espírito do Mar Inc. ("Espírito do Mar") [1]	Switzerland	20.0	20.0
Urca Drilling B.V.	Netherlands	15.0	15.0
Bracuhy Drilling B.V.	Netherlands	15.0	15.0
Mangaratiba Drilling B.V.	Netherlands	15.0	15.0
Joint Ventures			
Tupi Nordeste Ltd. [2]	Bermuda	20.0	20.0
Tupi Nordeste S.à.r.l. [2]	Luxembourg	20.0	20.0
Guará Norte S.à.r.l [3]	Luxembourg	12.75	12.75
Guará Norte Holding Ltd. [3]	Bermuda	12.75	12.75
Alfa Lula Alto S.à.r.l. [4]	Luxembourg	5.00	5.00
Alfa Lula Alto Holding Ltd. [4]	Bermuda	5.00	5.00
Beta Lula Central S.à.r.l. [5]	Luxembourg	5.00	5.00
Beta Lula Central Holding Ltd. [5]	Bermuda	5.00	5.00

(1) These entities refer to the FPSO Capixaba's structure (Note 12).
(2) These entities refer to the FPSO Cidade de Paraty's structure (Note 12).
(3) These entities refer to the FPSO Cidade de Ilhabela's structure (Note 12).
(4) These entities refer to the FPSO Cidade de Maricá's structure (Note 12).
(5) These entities refer to the FPSO Cidade de Saquarema's structure (Note 12).

The Group's investments in associate and joint venture entities are accounted for by the equity method of accounting in these amended and restated consolidated financial statements (Note 12).

6 CASH AND CASH EQUIVALENTS

	December 31, 2017	2016
Cash and bank deposits	82,347	72,197
Cash equivalents (*)	133,916	220,992
Total	216,263	293,189

(*) Refer to time deposits with original maturities of three months or less, which are highly liquid and can be readily converted into known cash amounts, subject to a minimum risk of changes in value.

Cash equivalents are comprised by the following time deposits:

Financial institution	Currency	Average interest rate (per annum)	December 31, 2017	2016
Itaú BBA Nassau	U.S. dollar	0.36%	59,700	121,229
Citibank	U.S. dollar	0.53%	62,818	85,047
Bradesco S.A.	Brazilian real	0.28%	5,278	95
ING Bank	U.S. dollar	0.65%	-	14,621
HSBC	U.S. dollar	0.36%	6,120	-
Total			133,916	220,992

Atendimento Prisma

7 SHORT-TERM INVESTMENTS

Short-term investments	Financial institution	Currency	Average interest rate (per annum)	December 31, 2017	December 31, 2016
Time deposits (i)	Itaú BBA Nassau	U.S. dollar	1.95%	-	40,139
Time deposits (i)	Bradesco Grand Cayman	U.S. dollar	1.70%	-	50,144
Time deposits (i)	Lafise	U.S. dollar	2.75%	47	45
Repurchase agreements (iii)	Bradesco S.A.	Brazilian real	97.10% of CDI(ii)	13,453	23,538
Total				13,500	113,866

(i) These investments have original maturities of more than three months, or with no fixed time for redemption.

(ii) Brazilian Interbank Deposit Certificate (*Certificado de Depósito Interbancário - CDI*), which average remuneration during the years ended December 31, 2017 and 2016 was 10.07% p.a. and 13.63% p.a., respectively.

(iii) Refers to agreements in which the financial institution commits to repurchase the asset back from the Group in the short-term (i.e., less then twelve months).

Atendimento Prisma

8 RESTRICTED CASH

Under certain of the Group's project finance arrangements (Note 14), surplus cash from operations is held in designated reserve accounts, up to a level determined in relation to the future debt servicing requirements of the project finance arrangements.

The following accounts, which deposits have original maturity of less than twelve months, currently refer to (i) the financing agreements related to the construction of the Amaralina Star and Brava Star offshore drilling rigs (Note 14); and (ii) cash collateral related to Bid/Performance Bonds.

The amounts in these accounts are comprised by time and bank deposits, as follows:

Restricted cash	Financial institution	Average interest rate (per annum)	December 31, 2017	December 31, 2016
Time deposits	Citibank N.A.	0.24%	9,902	31,265
Time deposits	HSBC	1.70%	24,034	-
Bank deposits	ING Bank	-	-	11,957
Bank deposits	HSBC London	-	4,999	-
Bank deposits	Citibank N.A.	-	100	-
Total			39,035	43,222

9 TRADE AND OTHER RECEIVABLES

Trade receivables are mainly related to receivables from Petrobras for charter and service-rendering agreements relating to the drilling rigs and drillships used in the exploration of oil and gas in Brazil. Historically, there have been no defaults on receivables or delays in collections and, consequently, the Group has not recorded a provision for impairment of trade and other receivables for the periods presented. The average collection period is of approximately 30 days. Details of financial risk management related to credit risk are disclosed in Note 24.b.

10 INVENTORIES

Inventories consist of spare parts, materials and supplies held for consumption in the drilling rigs and drillships operations. The amounts recognized in the amended and restated consolidated statement of operations are accounted for as Cost of Services in the sub-account "Materials" (Note 20). On December 31, 2017, due to an expected period of lower drilling rigs and drillships utilization, the Group reclassified the amount of US$143,231 to non-current assets, since such materials are not expected to be consumed within a one-year period.

Based on the Alaskan Star offshore drilling rig impairment loss recognition (Note 13.c), on December 31, 2016, the Group wrote-down part of the inventory related to the Alaskan Star offshore drilling rig, resulting in a loss recognition of US$6,055 (Note 21), while US$3,728 were transferred to the inventory of the Atlantic Star offshore drilling rig.

Atendimento Prisma

11 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are part of the Group, have been eliminated for consolidation purposes and are not disclosed in the table below.

The consolidated intercompany balances as of December 31, 2017 and 2016, and transactions for the years then ended are as follows:

	December 31				Year-ended December 31,	
	2017		2016		2017	2016
	Assets	Liabilities	Assets	Liabilities	Income/ (expenses)	Income/ (expenses)
Alperton Capital Ltd. [(a)]	381,125	345,042	338,004	309,871	7,950	6,926
Queiroz Galvão S.A. [(b)]	-	1,428	-	2,008	(1,428)	(1,419)
FPSO Capixaba Venture S.A. [(c)]	929	-	921	-	9	13
SBM Espírito do Mar Inc. [(d)]	-	-	-	-	-	1,838
Tupi Nordeste Operações Marítimas Ltda. [(e)]	366	-	800	-	1,576	1,466
Guará Norte Operações Marítimas Ltda. [(e)]	198	-	577	-	1,255	1,166
Alfa Lula Alto Operações Marítimas Ltda. [(e)]	191	-	301	-	1,244	1,152
Guará Norte Holding Ltd.[(f)]	125	-	1,056	-	500	1,056
Alfa Lula Alto Holding Ltd. [(f)]	150	-	100	-	600	550
Beta Lula Central Holding Ltd.[(f)]	250	-	100	-	600	300
SBM Holding Luxembourg S.à.r.l. [(g)]	-	-	-	-	-	16,000
Others	194	-	271	41	29	101
Total	383,528	346,470	342,130	311,920	12,335	29,149
Current	1,377	1,428	3,034	2,049		
Non-current	382,151	345,042	339,096	309,871		

Atendimento Prisma

(a) In 2010, the Group and Alperton Capital Ltd. ("Alperton") signed shareholders' and loan agreements in order to construct, charter and operate two drillships for Petrobras, the Amaralina Star and the Laguna Star drillships, through the Group's 55% interest in each of Amaralina Star Ltd. ("Amaralina") and Laguna Star Ltd. ("Laguna"), the remaining 45% of these entities' shares being held by Alperton.

Under these agreements, the Group has committed to finance Alperton's 45% capital expenditures share on these projects.

The receivables from Alperton refer to the loans receivable bearing interest at 12% p.a., annually compounded, up to the sixth anniversary of the sub-charter agreement with Petrobras. Thereafter, the loans receivable will bear interest at 13% p.a., annually compounded. Repayment of interest and principal is scheduled to occur on a quarterly basis as from one year after the "Date of Acceptance" of the drillships by Petrobras, with the principal being repayable in quarterly installments over the 6-year term of the Petrobras charter agreement, starting from the "Date of Acceptance", provided that Amaralina and Laguna comply with the financing agreement conditions to pay dividends.

The payable amounts refer to intercompany loans provided by Alperton to Amaralina and Laguna with the same terms and conditions of the Group's receivable amounts from Alperton, except for the maturity date. The receivables from Alperton are due within 6 months from the termination date of the sub-charter agreement with Petrobras and the payables to Alperton are due when Amaralina and Laguna generate enough cash after paying all other obligations and commitments.

The income for years ended December 31, 2017 and 2016, in the amounts of US$7,950 and US$6,926, respectively, is presented net of expenses. The income for the years ended December 31, 2017 and 2016, in the amounts of US$41,677 and US$38,033, respectively, refer to interest charged on the receivables by Constellation Overseas from Alperton; while the expenses for the years ended December 31, 2017 and 2016, in the amounts of US$33,727 and US$31,107, respectively, refer to interest charged on the payables due by Amaralina and Laguna to Alperton (Note 22 – Financial income from related parties).

Atendimento Prisma

The amounts of the loans receivable from Alperton are secured by:

- ✓ A pledge of Alperton's 45% shares in Amaralina and Laguna;
- ✓ An assignment of dividends payable to Alperton by Amaralina and Laguna; and
- ✓ An assignment of amounts payable to Alperton by Amaralina and Laguna.

Any cash available in Amaralina and Laguna for dividends payment will be used to repay the intercompany loans to Alperton. Amaralina and Laguna may not pay any dividends or other payables to Alperton, until the intercompany loans are fully paid. The intercompany loans may be extended in the event that the term of the charter agreements with Petrobras are extended. In this case, the new maturity date will be the end date of the extended agreements.

The Group charges a fee to Alperton for being the guarantor of Amaralina Star and Laguna Star drillships project financings and a fee for being the guarantor for importations under the Special Regime of Temporary Admission (*Regime Aduaneiro Especial de Importação e Exportação de Bens Destinados à Pesquisa e Lavra de Petróleo e Gás* - REPETRO). For the years ended December 31, 2017 and 2016, the net fees charged to Alperton totaled US$7,950 and US$6,926, respectively.

Non-compliance with the agreements between the Group and Alperton could result in penalties to either parties. As of December 31, 2017, the Group was compliant with the requirements of the respective agreements.

As disclosed in Note 28, the Group, through its subsidiary Constellation Overseas, has entered into an arbitration process against Alperton.

(b) The payable amount refers to the fee charged by QG S.A. for being the guarantor for importations under the REPETRO.

(c) Loans bearing interest at LIBOR plus 0.5% p.a., with maturity at the end of the charter agreement period between SBM Espírito do Mar B.V. and Petrobras (2022).

(d) The loan receivable from SBM Espírito do Mar Inc. bore an effective interest rate of 5.56% p.a., with maturity at the end of the charter agreement period between SBM Espírito do Mar B.V. and Petrobras (2022). In December 2016, such receivable was settled through the receipt of US$6,267.

(e) As of December 31, 2017 and 2016, the receivable amounts and the income from Tupi Nordeste Operações Marítimas Ltda., Guará Norte Operações Marítimas Ltda. and Alfa Lula Alto Operações Marítimas Ltda. relates to labor costs reimbursement regarding the operation of the FPSO Cidade de Paraty, FPSO Cidade de Ilhabela, and FPSO Cidade de Maricá, respectively.

(f) As of December 31, 2017, the receivable amount and the income for the year then ended from Guará Norte Holding Ltd., Alfa Lula Alto Holding Ltd. and Beta Lula Central Holding Ltd. relates to a management fee charged by the Group in respect of the operating services rendered to the FPSO Cidade de Ilhabela, FPSO Cidade de Maricá and FPSO Cidade de Saquarema, respectively.

(g) Refers to a payment made by SBM Holding Luxembourg S.à.r.l. to the Group, in connection with the terms that regulates the relationship of these entities as shareholders of Alfa Lula Alto S.à.r.l. and Alfa Lula Alto Holding Ltd. Such payment is related to the first oil achievement by the FPSO Cidade de Maricá (Notes 12 and 21).

Atendimento Prisma

Key management personnel (i) remuneration for the years ended December 31, 2017 and 2016, is as follows:

	Year-ended December 31,	
	2017	2016
Short-term benefits (ii)	4,264	8,246

(i) Key management is defined as the statutory officers and directors of the Group.

(ii) Short-term benefits mainly refers to salaries, social security contributions, annual leave and profit sharing (payable within twelve months from the year-end date). For the year ended December 31, 2017, the Group did not record profit sharing contribution.

The compensation paid to key management personnel is evaluated on an annual basis, considering the following main factors: individual performance during prior year, market rates and movements and the individual's anticipated contribution to the Group's growth. Members of key management are also eligible to participate in the Group's retirement benefit plans (Note 26).

12 INVESTMENTS

	December 31, 2017							
	Number of shares (thousands)	Ownership interest (%)	Authorized share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Shareholders' equity (deficiency)
Associates:								
FPSO Capixaba Venture S.A.	100	20.00%	82	17,145	71,651	64,242	102,926	(78,372)
SBM Espírito do Mar Inc.	100	20.00%	88	3,429	175,232	24,163	45,286	109,212
Urca Drilling B.V. (3)	90	15.00%	€90k	124	22,006	503,037	245,176	(726,083)
Bracuhy Drilling B.V. (3)	90	15.00%	€90k	1,463	9,535	203,779	267,064	(459,845)
Mangaratiba Drilling B.V. (3)	90	15.00%	€90k	11	1	44,826	104,957	(149,771)
Joint Ventures:								
Tupi Nordeste S.à.r.l.	16,020	20.00%	16,020	131,090	1,073,820	108,991	546,611	549,308
Tupi Nordeste Holding Ltd.	12	20.00%	12	6,645	12,597	18,008	23,091	(21,857)
Guará Norte S.à.r.l. (4)	50,020	12.75%	50,020	1,659,494	-	944,155	-	715,339
Guará Norte Holding Ltd. (4)	12	12.75%	12	31,590	-	34,349	-	(2,759)
Alfa Lula Alto S.à.r.l. (4)	65,020	5.00%	65,020	116,808	1,638,804	124,809	1,256,883	373,920
Alfa Lula Alto Holding Ltd. (4)	5	5.00%	12	14,134	-	17,048	-	(2,914)
Beta Lula Central S.à.r.l. (4)	65,020	5.00%	65,020	79,335	1,626,113	90,001	1,293,963	321,484
Beta Lula Central Holding Ltd. (4)	5	5.00%	12	11,727	244	6,220	868-	4,883

	December 31, 2016							
	Number of shares (thousands)	Ownership interest (%)	Authorized share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Shareholders' equity (deficiency)
Associates:								
FPSO Capixaba Venture S.A.	100	20.00%	82	1,270	14,913	62,213	58,945	(104,975)
SBM Espírito do Mar Inc.	100	20.00%	88	7,970	222,732	34	38,754	191,914
Urca Drilling B.V. (3)	90	15.00%	€90k	162	23,007	449,880	252,334	(679,045)
Bracuhy Drilling B.V. (3)	90	15.00%	€90k	1,490	8,670	173,778	265,678	(429,296)
Mangaratiba Drilling B.V. (3)	90	15.00%	€90k	24	1	39,308	107,312	(146,595)
Joint Ventures:								
Tupi Nordeste S.à.r.l.	16,020	20.00%	16,020	154,297	1,103,025	105,001	646,163	506,158
Tupi Nordeste Holding Ltd.	12	20.00%	12	1,328	-	21,190	24,999	(44,861)
Guará Norte S.à.r.l. (4)	50,020	12.75%	50,020	135,987	1,556,929	126,878	906,023	660,015
Guará Norte Holding Ltd. (4)	12	12.75%	12	5,332	-	20,411	8,839	(23,918)
Alfa Lula Alto S.à.r.l. (4) (6)	65,020	5.00%	65,020	107,748	1,688,368	112,784	1,372,821	310,511
Alfa Lula Alto Holding Ltd. (4)	5	5.00%	12	5,505	-	15,670	-	(10,165)
Beta Lula Central S.à.r.l. (4) (7)	65,020	5.00%	65,020	73,373	1,668,085	86,804	1,375,132	279,522
Beta Lula Central Holding Ltd. (4)	5	5.00%	12	1,605	1,380	3,983	-	(998)

The amounts presented in the tables above correspond to the investee's accounting balances before applying the Group's equity participation.

Atendimento Prisma

	Investees' comprehensive income/(loss) for the year ended December 31,					
	2017			2016		
	Net income/ (loss)	Other comprehensive income/ (loss)	Total comprehensive income/ (loss)	Net income/ (loss)	Other comprehensive income/ (loss)	Total comprehensive income/ (loss)
Associates:						
FPSO Capixaba Venture S.A.	25,971	635	26,606	(6,718)	(2,887)	(9,605)
SBM Espírito do Mar Inc.	(49,706)	-	(49,706)	(17,166)	-	(17,166)
Urca Drilling B.V. [3]	(41,667)	-	(41,667)	(72,597)	(1,147)	(73,744)
Bracuhy Drilling B.V. [3]	(26,696)	-	(26,696)	(30,584)	(233)	(30,817)
Mangaratiba Drilling B.V. [3]	(6,074)	-	(6,074)	(10,666)	(138)	(10,804)
Joint Ventures:						
Tupi Nordeste S.à.r.l.	31,017	12,133	43,150	51,007	9,579	60,586
Tupi Nordeste Holding Ltd.	22,563	449	23,012	(25,931)	(3,759)	(29,690)
Guará Norte S.à.r.l. [4]	47,738	7,585	55,323	81,922	(384)	81,538
Guará Norte Holding Ltd. [4]	20,937	219	21,156	(16,960)	(1,323)	(18,283)
Alfa Lula Alto S.à.r.l. [4]	67,457	12,933	80,390	96,079	9,531	105,610
Alfa Lula Alto Holding Ltd. [4]	7,280	(59)	7,221	(10,254)	(180)	(10,434)
Beta Lula Central S.à.r.l. [4]	71,423	5,039	76,462	69,260	(5,277)	63,983
Beta Lula Central Holding Ltd. [4]	6,022	(120)	5,902	(1,242)	-	(1,242)

The amounts presented in the tables above correspond to the investee's results and comprehensive income/ (loss) before applying the Group's equity participation.

Changes in investments

	December 31, 2016	Capital decrease [5]	Dividends received [8]	Share of results	Share of comprehensive income/ (loss)	December 31, 2017
Associates:						
FPSO Capixaba Venture S.A.	(20,995)	-	-	5,194	127	(15,674)
SBM Espírito do Mar Inc.	38,383	-	(6,600)	(9,941)	-	21,842
Joint ventures:						
Tupi Nordeste S.à.r.l.	101,232	-	-	6,203	2,427	109,862
Tupi Nordeste Holding Ltd.	(8,972)	-	-	4,513	90	(4,369)
Guará Norte S.à.r.l. [4]	84,152	-	-	6,087	967	91,206
Guará Norte Holding Ltd. [4]	(3,050)	-	-	2,669	28	(353)
Alfa Lula Alto S.à.r.l. [4]	15,525	(850)	-	3,373	647	18,695
Alfa Lula Alto Holding Ltd. [4]	(508)	-	-	364	(3)	(147)
Beta Lula Central S.à.r.l. [4]	13,976	(1,725)		3,571	252	16,074
Beta Lula Central Holding Ltd. [4]	(50)	-	-	301	(6)	245
Total	219,693	(2,575)	(6,600)	22,334	4,529	237,381
Total assets (investments)	253,268					257,923
Total liabilities (accumulated deficit in investments) [1]	(33,575)					(20,542)

Atendimento Prisma

	December 31, 2015	Capital contributions (2)	Capital decrease (5)	Share of results	Share of comprehensive income/ (loss)	December 31, 2016
Associates						
FPSO Capixaba Venture S.A.	(19,074)	-	-	(1,344)	(577)	(20,995)
SBM Espírito do Mar Inc.	41,816	-	-	(3,433)	-	38,383
Urca Drilling B.V. (3)	11,343	-	-	(11,441)	98	-
Bracuhy Drilling B.V. (3)	363	-	-	(380)	17	-
Mangaratiba Drilling B.V. (3)	1,017	-	-	(1,025)	8	-
Joint ventures						
Tupi Nordeste S.à.r.l.	89,114	-	-	10,202	1,916	101,232
Tupi Nordeste Holding Ltd.	(3,035)	-	-	(5,186)	(751)	(8,972)
Guará Norte S.à.r.l. (4)	73,756	-	(1,020)	10,445	971	84,152
Guará Norte Holding Ltd. (4)	(718)	-	-	(2,162)	(170)	(3,050)
Alfa Lula Alto S.à.r.l. (4)	13,055	4,988	(7,798)	4,804	476	15,525
Alfa Lula Alto Holding Ltd. (4)	15	-	-	(515)	(8)	(508)
Beta Lula Central S.à.r.l. (4)	14,814	3,328	(7,365)	3,463	(264)	13,976
Beta Lula Central Holding Ltd. (4)	13	-	-	(63)	-	(50)
Total	222,479	8,316	(16,183)	3,365	1,716	219,693
Total assets (investments)	245,306					253,268
Total liabilities (accumulated deficit in investments) (1)	(22,827)					(33,575)

(1) The liability to fund the deficit in FPSO Capixaba Venture S.A., Tupi Nordeste Holding Ltd., Guará Norte Holding Ltd., Alfa Lula Alto Holding Ltd. and Beta Lula Central Holding Ltd. is recognized in "Other current liabilities".

(2) Capital contributions have been made considering the Group's equity participation in each partnership. Therefore, there have been no interest changes in these investees.

(3) During the year-ended December 31, 2016, the Company's 15% equity participation in the associate entities Urca, Bracuhy and Mangaratiba was reduced to zero, following management's understanding of the Group's legal and statutory obligations in respect of such associate entities. Once the investments are reduced to zero, no additional losses will be provided for and no liabilities will be recognized whereas Angra Participações B.V. had not incurred legal or constructive obligations or made payments on behalf of such associates.

(4) The Group jointly controls the entities within the FPSOs Cidade de Ilhabela, Cidade de Maricá and Cidade de Saquarema structures with its partners, since all major financial and operational decisions require the unanimous approval of the Directors and Managers representatives of all the shareholders of these entities. The Group has the right to appoint 1 (one) of 5 (five) Managers in Luxembourg entities and 1 (one) of 4 (four) Directors in Bermuda entities. According to the shareholders' agreement, the meetings of the Board of Managers and Board of Directors of Luxembourg and Bermuda entities, respectively, must have a quorum comprised by at least 1 (one) Manager or 1 (one) Director appointed by each shareholder, which means that the Manager or the Director appointed by Arazi and or Lancaster Projects Corp. must be present. The Group participates actively in the organization and execution of the operations by seconding personnel to the operating management team in agreed positions.

(5) In March 2016, the Group received the amount of US$397 from Alfa Lula Alto S.à.r.l., in connection with the final tranche disbursement of the FPSO Cidade de Maricá loan facility. In April 2016, the Group received the amount of US$7,401 from Alfa Lula Alto S.à.r.l., in connection with the payment made by Petrobras related to the acceptance of the FPSO Cidade de Maricá. In June 2017, the Group received the amounts of US$850 and US$225 from Alfa Lula Alto S.à.r.l. and Beta Lula Central S.à.r.l., respectively. In September 2017 and December 2017, the Group received the amount of US$1,250 and US$250 from Beta Lula Central S.à.r.l., respectively.

Atendimento Prisma

(6) FPSO Cidade de Maricá started its operations on February 7, 2016. Alfa Lula Alto S.à.r.l. classified its charter agreement with Petrobras as a financial lease agreement. Included in the share of results during the year ended December 31, 2016 there is a gain of US$2,688 corresponding to the share of the difference between the recognition of the present value of the minimum lease payments as revenues at the lease date of inception, and the corresponding recognition of the equipment cost in profit or loss.

(7) FPSO Cidade de Saquarema started its operations on July 8, 2016. Beta Lula Central S.à.r.l. classified its charter agreement with Petrobras as a financial lease agreement. Included in the share of results during the year ended December 31, 2016, there is a gain of US$2,041 corresponding to the share of the difference between the recognition of the present value of the minimum lease payments as revenues at the lease date of inception, and the corresponding recognition of the equipment cost in profit or loss.

(8) In June 2017, the Group received dividends from SBM Espírito do Mar Inc. in the amount of US$6,600. The taxes levied on such dividends amounted to US$2,310 (Note 21).

The main activities of the Group's associates are as follows:

Atendimento Prisma

FPSO Capixaba

- ✓ FPSO Capixaba Venture S.A. ("Capixaba")'s core business is to support operations for agreements in the oil and gas industry. Since March 16, 2007, Capixaba is a shareholder of a Brazilian entity, SBM Capixaba Operações Marítimas Ltda., which operates the FPSO Capixaba, currently located off the Brazilian coast and chartered to Petrobras until 2022.

- ✓ SBM Espírito do Mar Inc. ("Espírito do Mar") owns the FPSO Capixaba and its main activity is to support charter agreements in the oil and gas industry.

Urca, Bracuhy and Mangaratiba offshore drilling rigs (Partnership with Sete Brasil)

- ✓ Urca Drilling B.V. owns the Urca semi-submersible drilling rig, which is under construction to operate in pre-salt water depths. According to the charter and service-rendering agreements currently in place, upon its construction completion and acceptance by Petrobras, Urca should be chartered to Petrobras until 2031 and SPC should be its sole operator.

- ✓ Bracuhy Drilling B.V. owns the Bracuhy semi-submersible drilling rig, which is under construction to operate in pre-salt water depths. According to the charter and service-rendering agreements currently in place, upon its construction completion and acceptance by Petrobras, Bracuhy should be chartered to Petrobras until 2033 and SPC should be its sole operator.

- ✓ Mangaratiba Drilling B.V. owns the Mangaratiba semi-submersible drilling rig, which is under construction to operate in pre-salt water depths. According to the charter and service-rendering agreements currently in place, upon its construction completion and acceptance by Petrobras, Mangaratiba should be chartered to Petrobras until 2034 and SPC should be its sole operator.

The Company, through its subsidiary Angra Participações B.V. ("Angra"), is a minority shareholder in the following associate entities with Sete Brasil's subsidiaries: Urca Drilling B.V.

("Urca"), Bracuhy Drilling B.V. ("Bracuhy") and Mangaratiba Drilling B.V. ("Mangaratiba"). The majority shareholder is Sete International One GmbH ("Sete International"), a second tier subsidiary of Sete Brasil.

On December 17, 2015, Angra exercised a put option whereby it has formalized its intention to cease its equity interest in the aforementioned associate entities, by transferring its shares to Sete International in accordance to the Shareholders' Agreement. Due to the non-transfer of the shares, on March 23, 2016, Angra called a binding arbitration process aiming to settle this issue, which is still in progress. As of December 31, 2017, and on the date of approval of these amended and restated consolidated financial statements, no new events have occurred that could have changed the progress of said arbitration process.

On April 20, 2016, the Group was informed that Sete Brasil's Extraordinary General Meeting held at that date approved Sete Brasil's petition for judicial recovery.

The audited financial statements of Sete Brasil for the years ended December 31, 2017 and 2016 have not been issued to date.

Atendimento Prisma

The main activities of the Group's joint ventures are as follows:

FPSO Cidade de Paraty

- ✓ Tupi Nordeste S.à.r.l.'s main activity is to act as a sub-charter party for agreements in the oil and gas industry. The entity charters the FPSO Cidade de Paraty to Petrobras until 2033, which is currently located off the Brazilian coast. Operations started in June 2013.

- ✓ Tupi Nordeste Holding Ltd.'s main activity is to support operations for agreements in the oil and gas industry. This entity is a shareholder of a Brazilian entity, Tupi Nordeste Operações Marítimas Ltda., which operates the FPSO Cidade de Paraty to Petrobras until 2033.

FPSO Cidade de Ilhabela

- ✓ Guará Norte S.à.r.l.'s main activity is to act as a sub-charter party for agreements in the oil and gas industry. The entity charters the FPSO Cidade de Ilhabela to Petrobras until 2034, which is currently located off the Brazilian coast. Operations started in November 2014.

- ✓ Guará Norte Holding Ltd.'s main activity is to support operations for agreements in the oil and gas industry. This entity is a shareholder of a Brazilian entity, Guará Norte Operações Marítimas Ltda., which operates the FPSO Cidade de Ilhabela to Petrobras until 2034.

FPSO Cidade de Maricá

- ✓ Alfa Lula Alto S.à.r.l. owns the FPSO Cidade de Maricá, which started its operations on February 7, 2016 after achieving first oil and completing a 72-hour continuous production test (Final Acceptance). On July 12, 2013, the Group entered into a 20-year agreement to charter the FPSO Cidade de Maricá to the Consortium BM-S-11.

- ✓ Alfa Lula Alto Holding Ltd.'s main activity will be to support operations for agreements in the oil and gas industry. This entity is a shareholder of a Brazilian entity, Alfa Lula Alto Operações Marítimas Ltda., which will operate the FPSO Cidade de Maricá to Petrobras until 2036.

FPSO Cidade de Saquarema

- ✓ Beta Lula Central S.à.r.l. owns the FPSO Cidade de Saquarema, which started its operations on July 8, 2016 after achieving first oil and completing a 72-hour continuous production test (Final Acceptance). On July 12, 2013, the Group entered into a 20-year agreement to charter the FPSO Cidade de Saquarema to the Consortium BM-S-11.

- ✓ Beta Lula Central Holding Ltd.'s main activity will be to support operations for agreements in the oil and gas industry. This entity is a shareholder of a Brazilian entity, Beta Lula Central Operações Marítimas Ltda., which will operate the FPSO Cidade de Saquarema to Petrobras until 2036.

Other matters regarding the Group's investments

Partnership with SBM Offshore N.V. - Contingent Liability

Atendimento Prisma

The Company, through its subsidiaries, is a non-controlling shareholder in the following associate and joint venture entities with SBM Offshore N.V. ("SBM Offshore") and its subsidiaries: FPSO Capixaba Venture S.A., SBM Espírito do Mar Inc., Tupi Nordeste S.à.r.l., Tupi Nordeste Holding Ltd., Guará Norte S.à.r.l, Guará Norte Holding Ltd., Alfa Lula Alto S.à.r.l., Alfa Lula Alto Holding Ltd., Beta Lula Central S.à.r.l. and Beta Lula Central Holding Ltd.. The majority shareholder is SBM Offshore.

In November 2014, SBM Offshore announced that it had reached an out-of-court settlement agreement with the Dutch Public Prosecutor's Office (*Openbaar Ministerie*) over the inquiry into alleged improper payments to sales agents in Equatorial Guinea, Angola and Brazil in the period from 2007 through 2011, which consisted of a payment by SBM Offshore to the *Openbaar Ministerie* of US$240 million.

In February 2016, SBM Offshore announced that the United States Department of Justice ("U.S. DoJ") had re-opened its past inquiry of SBM Offshore and had made information requests in connection with that inquiry. In February 2017, SBM Offshore announced that it continues to cooperate with the U.S. DoJ following the reopening of the investigation.

In November 2017, SBM Offshore announced that it had signed a Deferred Prosecution Agreement ("DPA") with the U.S. DoJ resolving the reopened investigation. SBM Offshore also announced that as part of the overall resolution, SBM Offshore USA, Inc. ("SBM USA") a subsidiary of SBM Offshore, pleaded guilty to a single count of conspiracy to commit a violation of the U.S. Foreign Corrupt Practices Act and SBM Offshore and SBM USA agreed to pay monetary penalties in the total amount of US$238 million.

In July 2016, SBM Offshore announced that it had signed a settlement agreement ("Leniency Agreement") in Brazil with the Ministry of Transparency, Oversight and Control (*Ministério da Transparência, Fiscalização e Controle* - MTFC), the Federal Public Prosecutor's Office (*Ministério Público Federal* - MPF), the Attorney General's Office (*Advocacia Geral da União* - AGU) and Petrobras, which closes out the inquiries of the MPF, the MTFC and Petrobras into the payment of undue advantages to employees of Petrobras.

SBM Offshore also informed that the MPF should submit the Leniency Agreement for approval of the Brazilian Fifth Chamber for Coordination and Review and Anti-corruption of the Federal Prosecutor Service ("Fifth Camber" - *5ª Câmara de Coordenação e Revisão do Ministério Público Federal*), to the extent it is concerned. The MTFC would additionally send the Leniency Agreement for the Federal Court of Accounts (*Tribunal de Contas da União* - TCU).

In November 2016, SBM Offshore announced that the Fifth Chamber upheld its decision of September 1, 2016, in which the Leniency Agreement, as per the current terms, was not approved, and referred the matter, including review of the appeals filed by the AGU and the MPF, to the Higher Council of the MPF (*Conselho Institucional*) for further consideration and decision. SBM Offshore also announced that is not under any obligation to make payments under the Leniency Agreement until it is binding upon all parties.

In December 2016, SBM Offshore announced that the Higher Council of the MPF upheld the decision by the Fifth Chamber. SBM Offshore also informed that the Higher Council decided not to accept the appeals filed by the MPF and the AGU and referred the case back to the Fifth Chamber and the prosecutor handling the case for further review and next steps.

In November 2017, SBM Offshore announced that the Brazilian authorities presented two separate leniency agreements: one leniency agreement with the MPF only (the "MPF Agreement") and another leniency agreement with the other authorities (the MTFC and the AGU) and Petrobras (the "MTFC Agreement").

SBM Offshore stated that to enter into the leniency agreements, they would need to be in a position to reach satisfactorily closure with all Brazilian authorities and Petrobras on all outstanding leniency issues at the same time. In view of the current situation, SBM Offshore informed that it cannot guarantee that a satisfactory resolution will be reached.

In December 2017, SBM Offshore announced that the MPF has filed a damage claim based on the Brazilian Improbity Act with the Federal Court in Rio de Janeiro against a Brazilian subsidiary of SBM Offshore, an intermediate holding company in Switzerland and a number of individuals, including former employees of the SBM Offshore Group.

In July 5, 2018, SBM Offshore announced that in the context of the Improbity Lawsuit, the MPF asked the court to impose a provisional measure as a means to secure payment of damages potentially awarded. SBM Offshore became aware that the judge handling the case partially granted the request for a provisional measure, which aims to order Petrobras to withhold a percentage of monthly payments due to SBM Offshore companies under certain charter contracts in escrow as collateral in respect of the Improbity Lawsuit.

Before taking a decision on the amounts to be withheld, the judge is requesting more information from Petrobras and SBM Offshore. The Federal Government is also requested to indicate its interest in this litigation.

Atendimento Prisma

Ба В

On July 26, 2018, SBM Offshore announced that SBM Offshore and SBM Holding Inc. S.A. ("SBM Holding") signed a leniency agreement with MTFC, AGU Petrobras (the "Leniency Agreement").

The Leniency Agreement provides for:

- ✓ A cash payment by SBM Offshore to Petrobras totalling R$549 million (approximately US$148 million);
- ✓ A reduction of 95% in future performance bonus payments related to FPSOs Cidade de Anchieta and Capixaba lease and operate contracts, representing an agreed nominal value of approximately US$180 million over the period 2016 to 2030;
- ✓ The aggregate of the cash payments to be made (approximately US$189 million) and the net present value of future bonus payments (approximately US$110 million) is in line with the provision maintained by SBM Offshore of US$299 million as at December 31, 2017.
- ✓ Under the terms of the Leniency Agreement, CGU, AGU and Petrobras commit to terminate all of their investigations against SBM Offshore and refrain from initiating new legal proceedings under the Improbity Law, Anti-Corruption Law and Public-Procurement Law in relation to the legacy issues in Brazil.

Also on July 26 2018, SBM Offshore announced that its Brazilian subsidiary filed a Motion for Clarification under the Improbity Lawsuit and is taking all appropriate measures to defend its interests. It has also announced that Petrobras shall file its views on the impact of any withholding and that Petrobras has stated that it will not become a plaintiff in the Improbity Lawsuit.

On September 1, 2018, SBM Offshore announced that it has signed an additional agreement with the MPF (the "Agreement"). Such agreement is subject to approval by the Fifth Chamber.

On December 18, 2018, SBM Offshore announced that the Fifth Chamber has approved the Agreement. This Agreement comprises a final settlement between SBM Offshore and the MPF with respect to alleged improper sales practices before 2012.

Atendimento Prisma

Under the Agreement, the MPF commits to refrain from initiating new legal proceedings against SBM Offshore under the Improbity Law, Anti-Corruption Law and Public-Procurement Law in relation to the legacy issues in Brazil. The Agreement provides for the payment of an additional fine by SBM Offshore in the amount of R$200 million. The additional fine is to be paid to Petrobras in instalments: an upfront payment of R$60 million, with seven R$20 million installments thereafter.

The Company's management does not expect to incur in any losses or future income reduction on the associates and joint ventures' equity participation as a result of the resolution of this matter by SBM Offshore.

Atendimento Prisma

13 PROPERTY, PLANT AND EQUIPMENT

	Drillships			Offshore drilling rigs						Onshore drilling rigs, equipment and bases [b]	Corporate	Total
	Brava Star	Amaralina Star	Laguna Star	Alaskan Star	Atlantic Star	Alpha Star	Gold Star	Lone Star	Olinda Star			
Cost												
December 31, 2015	691,780	652,721	657,052	379,951	346,665	722,622	586,407	673,397	558,009	150,953	24,779	5,444,336
Additions	4,086	8,602	5,114	1,764	2,429	19,652	3,652	36,651	3,169	36	1,006	86,161
Disposals	-	-	-	(379,522)	-	-	-	-	-	(10)	(551)	(380,083)
Transfer	-	-	-	(2,193)	2,193	-	-	-	-	-	-	-
Currency translation adjustments	-	-	-	-	-	-	-	-	-	11,675	1,985	13,660
December 31, 2016	695,866	661,323	662,166	-	351,287	742,274	590,059	710,048	561,178	162,654	27,219	5,164,074
Additions	2,891	31,240	15,055	-	1,026	1,869	1,476	4,680	17,343	3,966	644	80,190
Disposals	-	-	-	-	-	-	(271)	-	-	-	(150)	(421)
Currency translation adjustments	-	-	-	-	-	-	-	-	-	(1,324)	(698)	(2,022)
December 31, 2017	698,757	692,563	677,221	-	352,313	744,143	591,264	714,728	578,521	165,296	27,015	5,241,821
Accumulated depreciation and impairment												
December 31, 2015	(10,418)	(84,953)	(81,079)	(116,781)	(121,038)	(127,104)	(131,638)	(135,062)	(196,096)	(93,972)	(18,172)	(1,116,313)
Depreciation	(31,459)	(27,043)	(27,168)	(12,154)	(15,116)	(26,179)	(27,536)	(32,052)	(24,654)	(7,271)	(3,204)	(233,836)
Disposals	-	-	-	378,842	-	-	-	-	-	-	233	379,075
Impairment losses recognized in profit or loss [c]	-	-	-	(249,907)	-	(19,155)	-	-	-	7,260	-	(261,802)
Currency translation adjustments	-	-	-	-	-	-	-	-	-	(8,125)	(1,130)	(9,255)
December 31, 2016	(41,877)	(111,996)	(108,247)	-	(136,154)	(172,438)	(159,174)	(167,114)	(220,750)	(102,108)	(22,273)	(1,242,131)
Depreciation	(31,988)	(28,018)	(27,596)	-	(15,348)	(29,074)	(27,923)	(35,977)	(24,658)	(8,175)	(1,124)	(229,881)
Impairment losses recognized in profit or loss [c]	(104,692)	(129,449)	(125,078)	-	-	(344,431)	(221,575)	(309,237)	(163,113)	(2,895)	-	(1,400,470)
Disposals	-	-	-	-	-	-	8	-	-	-	135	143
Currency translation adjustments	-	-	-	-	-	-	-	-	-	1,158	640	1,798
December 31, 2017 (Restated)	(178,557)	(269,463)	(260,921)	-	(151,502)	(545,943)	(408,664)	(512,328)	(408,521)	(112,020)	(22,622)	(2,870,541)
Property, plant and equipment, net [a]												
December 31, 2016	653,989	549,327	553,919	-	215,133	569,836	430,885	542,934	340,428	60,546	4,946	3,921,943
December 31, 2017 (Restated)	520,200	423,100	416,300	-	200,811	198,200	182,600	202,400	170,000	53,276	4,393	2,371,280
Useful life range (years)	5 – 35	5 – 35	5 - 35	-	5 – 35	5 – 35	5 – 35	5 – 35	5 - 35	5 – 25	5 - 25	

(a) The Group's assets that are pledged as security for financing agreements are disclosed in Note 14.

(b) As of December 31, 2017, the amount of US$45,816 (US$50,952 as of December 31, 2016) refers to the onshore drilling rigs.

(c) During the years ended December 31, 2017 and 2016, due to the changes of the market fundamentals in the oil and gas industry and due to the expiration of certain of its charter and service-rendering agreements during 2018 the Group evaluated its fleet of drilling units for impairment.

Onshore drilling rigs

The Group estimated the fair value of its onshore drilling rigs by applying the market approach, which estimates the amount that would be received for each drilling unit in the principal or most advantageous market for each drilling unit in an orderly transaction between market participants. In calculating the fair value less costs of disposal of these drilling units as of December 31, 2017, the Group recognized a net impairment related to the aggregated result of seven onshore drilling rigs in the amount of US$2,895 (as of December 31, 2016, net impairment reversal in the amount of US$7,260).

Offshore drilling rigs and drillships

The Group estimated the fair value of each one of its offshore drilling rigs and drillships using the income approach method (i.e., value in use), by a discounted projected net cash flow analysis over the remaining economic useful life of each drilling rig/drillship, which utilized significant unobservable inputs (Notes 3.8 and 4.5). As of December 31, 2017, the Group recognized impairment losses related to all offshore drilling rigs and drillships, except for the Atlantic Star offshore drilling rig, in the total aggregate amount of US$1,397,575. As of December 31, 2016, the Group recognized impairment losses related to the Alpha Star offshore drilling rig in the amount of US$19,155.

On November 13, 2016, the Alaskan Star offshore drilling charter and service-rendering agreements with Petrobras expired. Due to the absence of a new contract in the near future and low demand expectations for this drilling rig, the Group reassessed the viability of new capital investments in the Alaskan Star offshore drilling rig, a midwater rig. During the last quarter of 2016, the Group received purchase offers to this drilling rig and ended up selling it on December 30, 2016, for US$680. The sale transaction resulted in an impairment loss on disposal of this asset in the amount of US$249,907, which has been included in "Other expenses, net" (Note 21).

Atendimento Prisma

14 LOANS AND FINANCINGS

Financial institution	Funding type	Objective	Beginning period	Maturity	Contractual interest rate (per annum)	Effective interest rate (per annum)	Currency	December 31, 2017	December 31, 2016
Santander, HSBC, Citibank (joint bookrunners)	Senior Notes (“Project Bond”)	Refinance Alaskan Star and Atlantic Star rigs, and other corporate purposes	Jul/2011	Jul/2018	5.25%	5.55%	U.S. dollar	87,665	144,286
HSBC, BAML and Citibank (joint bookrunners)	Senior Unsecured Notes (“Corporate Bond”)	Prepay working capital loans	Nov/2012	Nov/2019	6.25%	6.86%	U.S. dollar	95,587	698,388
HSBC, BAML and Citibank (joint bookrunners)	Senior Unsecured Notes (“New Notes)	Refinance Corporate Bond	Jul/2017	Nov/2024	9.00% + 0.50%	10.6%	U.S. dollar	591,436	-
							Subtotal - fixed interest rate	774,688	842,674
Bradesco	Loan	Working capital	Sep/2014	Jul/2018	Libor+6.80%	7.98%	U.S. dollar	101,338	152,622
Bradesco	Loan	Working capital	Jan/2015	Jul/2018	Libor+6.50%	7.86%	U.S. dollar	51,627	76,827
							Subtotal - variable interest rate loans	152,965	229,449
ING (leader arranger)	Financing	Gold Star rig construction[1]	Jul/2007	Dec/2017	Libor+1.15% to Libor+1.35%	1.77%	U.S. dollar	-	47,515
Citibank and Santander (joint leader arrangers)	Financing	Alpha Star rig construction	Apr/2011	Jul/2017	Libor+2.50%	3.55%	U.S. dollar	-	174,860
BNP, Citi and ING (leader arrangers) and The Norwegian Ministry of Trade and Industry (“MTI”)	Financing	Amaralina Star drillship construction	May/2012	Sep/2018[2]	Libor+2.75%	3.88%	U.S. dollar	176,791	241,780
BNP, Citi and ING (leader arrangers) and The Norwegian Ministry of Trade and Industry (“MTI”)	Financing	Laguna Star drillship construction	May/2012	Nov/2018[2]	Libor+2.75%	4.05%	U.S. dollar	186,988	249,793
BNP, Citi, ING and DNB and Eksportkreditt Norge (“EKN”)	Financing	Brava Star drillship construction	May/2015	Sep/2020[3]	Libor+2.00%	3.73%	U.S. dollar	363,751	409,618
							Subtotal - variable interest rate financings	727,530	1,123,566
							Total	1,655,183	2,195,689
							Current	655,788	674,085
							Non-current	999,395	1,521,604

(1) The repayment proceeds of this financing derived from the charter receivables of the Lone Star offshore drilling rig.

(2) The maturity dates for MTI tranches for Amaralina Star and Laguna Star project financings are December 2020 and February 2021, respectively. Such maturity dates would be anticipated for September 2018 and November 2018, respectively, if the leader arrangers’ tranche is not extended or refinanced.

(3) The maturity date for EKN tranche of Brava Star project financing is September 2025. Such maturity date would be anticipated for September 2020, if the leader arrangers’ tranche is not extended or refinanced.

Atendimento Prisma

a) Changes in loans and financings

	Year-ended December 31,	
	2017	2016
Balance as of January 1	2,195,689	2,621,350
Principal repayment	(532,481)	(435,344)
Transaction costs (*)	(23,524)	-
Interest payment	(104,250)	(104,346)
Total payments	(660,255)	(539,690)
Interest charged through profit or loss	106,069	104,366
Transaction cost charged through profit or loss	9,856	7,912
Debt discounts charged through profit or loss	3,824	1,751
Financial expenses on loans and financings	119,749	114,029
Balance as of December 31,	1,655,183	2,195,689

(*) Transaction costs for the year ended December 31, 2017, are related to the Corporate Bond Exchange Offer concluded on July 2017.

Atendimento Prisma

Working capital

In January 2015, the Group used the remaining balance of the credit line with Bradesco amounting to US$95 million and signed an additional working capital credit line agreement, with the same financial institution, in the amount of US$75 million, with a 2-year term bearing interest rate at LIBOR plus 4.80% p.a. The Group fully used this additional credit line. Both credit lines were originally due in January 2017.

On January 2, 2017, the Group signed amendments to the working capital credit loan agreements with Bradesco in the amounts of US$150 million and US$75 million, bearing interest rates at LIBOR plus 6.80% p.a. and LIBOR plus 6.50% p.a., respectively, to postpone the maturity dates from January to July 2018 (Note 28).

Project financing

On March 30, 2017, the Group prepaid the Lone Star facility, which outstanding balance as of December 31, 2016 amounted to US$47,515.

On July 31, 2017, the Group fully paid Alpha Star's construction project financing in the outstanding principal and interest amounts of US$128,171 and US$412, respectively.

Corporate Bond Exchange Offer

On July 27, 2017, the Company issued the New Notes bearing interest rates at 9.00% p.a. semiannually paid with an additional capitalized interest at 0.50% p.a. to be repaid until 2024 in exchange for an equal aggregate principal amount of its outstanding 6.25% p.a. Senior Notes due in 2019. The Group paid transaction costs in the aggregate amount of US$23,524.

b) Loans and financings long term amortization schedule

Year ending December 31,	Gross amount	Transaction costs	Debt discounts	Net amount
2018	664,064	(8,021)	(256)	655,787
2019	150,474	(4,962)	(162)	145,350
2020	295,717	(4,419)	-	291,298
2021	30,228	(3,226)	-	27,002
2022	37,786	(3,226)	-	34,560
2023	45,343	(3,226)	-	42,117
2024	461,841	(2,772)	-	459,068
Total	1,685,453	(29,852)	(418)	1,655,183

Atendimento Prisma

c) Covenants

Financial covenants

The financing agreements contains financial covenants and securities provided to lenders. Noncompliance with such financial covenants could constitute a Restricted Payment Trigger Event, which would lead in the borrower entity of the Group not being allowed to pay dividends, purchase, retire or otherwise distribute capital stock or make certain payments to related parties.

The financial covenants related to the financing agreements ("project financing") of Amaralina Star, Laguna Star, Brava Star and the Project Bond as of December 31, 2017, consist of Debt Service Coverage Ratio, which requires a minimum ratio of Net Operating Cash Flow to Debt Service.

The Debt Service Coverage Ratio is assessed quarterly for dividends distribution intention and semi-annually for compliance with such financial covenants in case. Such covenant is assessed for dividend distribution purposes and as of December 31, 2017, the Group complied with such restrictive clauses.

The indenture governing the Corporate Bond as of December 31, 2017, contains certain financial covenants that limited the Group's ability to incur in additional indebtedness at that date. The financial covenants was measured on the four most recent fiscal quarters for which financial statements was available and consisted of: (i) Unconsolidated Interest Coverage Ratio; and (ii) Consolidated Net Leverage Ratio. These financial covenants were not required to be measured on a regular basis and should be assessed whenever additional indebtedness was envisaged to be incurred by the Group, as required under the indenture.

The New Notes have a restrictive covenant package, including a restriction on dividend payments and additional limitations on the incurrence of indebtedness and liens. On or after January 1, 2022, the indenture governing the New Notes will allow the Company and any of its restricted subsidiaries to incur additional indebtedness if the Company's consolidated net leverage ratio is equal to or less than 3.00 to 1.00. This financial ratio is not required to be measured on a periodic basis and shall only be calculated upon the incurrence of additional indebtedness in accordance with the terms of the indenture. Furthermore, the Company will always be allowed to incur certain permitted indebtedness in accordance with the terms of the indenture.

In connection with the Exchange Offer and Consent Solicitation, on July 25, 2017, the Company executed a Supplemental Indenture for its outstanding 6.25% p.a. Senior Notes due in 2019 to amend and remove certain of its covenants and events of default.

Non-financial covenants

In accordance with the project financing agreements the Group shall deliver to the Administrative Agent a copy of the consolidated financial statements of the Company, Amaralina, Laguna and financial statements of Brava within 180 days after the end of the fiscal year, accompanied by the unqualified independent auditor's reports. As of the issuance date of this amended and restated consolidated financial statements the Group failed to comply with these non-financial covenants. The Group understands that the existence of this failure does not impair the liens on the collateral and has not had and cannot be reasonably expected to have a material adverse effect on its financial and liquidity position.

Atendimento Prisma

d) Guarantees

The financings obtained by the Group in order to finance the construction of the drilling rigs, drillships and for other corporate purposes are usually structured as Project Finance/Project Bond; therefore benefiting from a customary security package that includes guarantees such as assignment of the charter receivables, mortgages over the drilling rigs and drillships, pledges over the shares of the drilling rigs and drillships owners, charges over the relevant bank accounts held at the facility agents, including accounts into which the amounts payable under charter agreements are required to be paid, assignment of the relevant insurances along with corporate guarantees during pre-completion period.

In addition, the terms of some of these financing debt instruments restricts the ability of project subsidiaries to pay dividends, incur additional debt, grant additional liens, sell or dispose assets and enter into certain acquisitions, mergers and consolidations, except as already established in such financing debt instruments.

The aforementioned conditions applies to Atlantic Star offshore drilling rig Project Bond and the Project Financing related to Amaralina Star, Laguna Star and Brava Star drillships.

In December 2016, the subsidiaries Alaskan and its offshore drilling rig (Alaskan Star) were released from the guarantee package related to the Project Bond, according to the provisions of the agreements that sets forth the terms of the related Senior Notes, in which such guarantees were in connection with Alaskan's agreement with Petrobras that expired on November 13, 2016.

ĐĐ

The Corporate Bond issued on November 9, 2012, is guaranteed by the Group on a senior unsecured basis. In addition, the Group has established an interest reserve account in favor of the collateral agent, which is fully funded by cash and/or letters of credit in an amount sufficient to provide for the payment of the next two succeeding interest payments. On June 26, 2015, the Group released the letters of credit related to such interest reserve account, in compliance with the Corporate Bond documentation and considering the Group's consistent deleveraging since the Corporate Bond's issuance.

The New Notes are guaranteed on a senior secured basis by certain subsidiaries of the Company, including but not limited to the guarantor of the Existing Notes, Constellation Overseas, and the entities that own the Unencumbered Rigs. The New Notes will also be guaranteed on a subordinated basis by Star International Drilling Ltd., subject to the terms and conditions of the New Notes.

The New Notes are secured by certain assets of the Company, including but not limited to, the Company's current unencumbered offshore rigs Olinda Star, Lone Star and Gold Star (the "Unencumbered Drilling Rigs") and the insurance receivables and charter receivables related thereto, subject to the terms and conditions of the New Notes. The New Notes also have a springing collateral package that could consist of additional offshore rigs and drilling vessels as well as their related insurance receivables and charter receivables, subject to the terms and conditions of the New Notes.

Atendimento Prisma

15 PROVISIONS

In the normal course of its business activities, the Group engages in agreements with third parties that convey contractual obligations. The Group recognizes provisions for contractual penalties (delay in beginning of operations) that are more likely than not to be payable with respect to certain of its agreements, for which the Group's Management does not expect the payable amount to materially differ from the estimated amount.

	Year-ended December 31,	
	2017	2016
Balance as of January 1	1,230	4,570
Olinda Star penalty provision	3,179	-
Brava Star penalty reversal	-	(352)
Brava Star penalty payment	-	(3,191)
Effect of foreign exchange variations	(18)	203
Balance as of December 31	4,391	1,230

16 PROVISION FOR CONTINGENCIES

a) Contingent assets

The Group has not recognized contingent assets.

b) Contingent liabilities assessed as probable losses

During the normal course of its business activities, the Group is exposed to labor, civil and tax claims. Regarding each claim or exposure, Management has assessed the probability that the matter resolution would ultimately result in a financial loss for the Group. As of December 31, 2017, provisions to cover probable losses included in "other non-current liabilities" are mainly related to labor claims (hardship and retirement).

Changes in loss provision for labor and civil claims are as follows:

	Year-ended December 31,	
	2017	2016
Balance as of January 1	1,544	1,504
Additions	652	729
Reversals	(961)	(969)
Foreign exchange rate variations	(12)	280
Balance as of December 31	1,223	1,544

Atendimento Prisma

c) Contingent liabilities assessed as possible losses

Based on the Group's in-house legal counsel and external legal advisors' opinions, these claims are not accrued in the amended and restated consolidated financial statements and consist of labor lawsuits (mainly comprised by compensation due to work related accidents and occupational diseases) in the amount of US$31,680 (Restated) as of December 31, 2017 (US$20,827 (Restated) as of December 31, 2016), tax lawsuits in the amount of US$32,620 as of December 31, 2017 (US$26,246 as of December 31, 2016) and civil lawsuits in the amount of US$15 as of December 31, 2017 (US$15 as of December 31, 2016).

The main tax lawsuits assessed as possible losses are as follows:

i. On September 15, 2010, SPC received a Notice of Violation issued by the tax authorities due to the nonpayment of Services Tax ("*Imposto sobre Serviços de Qualquer Natureza* - ISS") in the city of Rio de Janeiro. SPC argues, on appeal, that the operations were carried out in other municipalities and the taxes were collected under their tax jurisdictions (ISS due to the site of the service provider). As of December 31, 2017, the estimated amount involved is US$5,487 (US$5,062 as of December 31, 2016).

On January 22, 2015, SPC received a Notice of Violation issued by the Brazilian Internal Revenue Service (*Receita Federal do Brasil* - RFB) related to Social Integration Program ("*Programa de Integração Social* - PIS") and Social Investment Program ("*Contribuição para o Financiamento da Seguridade Social* - COFINS") collected in the years 2010 and 2011. The RFB initiated a Tax Administrative Process, whereby it requires SPC to make tax payments, due to the fact that the RFB considered that SPC made use of improper tax credits aiming to reduce its PIS and COFINS obligations. On February 23, 2015, SPC argued, on appeal, in order to contest RFB's tax assessment. As of December 31, 2017, the estimated amount involved is US$25,252 (US$19,973 as of December 31, 2016).

d) Tax, labor and social security matters

The Group enters into transactions and operations that may be interpreted by third parties subjectively and/or contrary to the Group's position. Nevertheless, the Group's actions are supported by its external legal advisors' opinion.

e) Other matters

Petrobras withholding taxes

In July 2014, the Group received letters from Petrobras informing that the RFB issued Notices of Violation against Petrobras regarding the absence of withholding income taxes from charter agreements remittances in 2008 and 2009, related to the Atlantic Star and Alaskan Star offshore drilling rigs. Petrobras indicated that is currently contesting such Notices of Violation, but if the losses on ongoing appeals are confirmed, Petrobras will seek the recoverability of such losses from its contractors, including the Group, and any penalties, interest and fees that would be required to settle the debt with the RFB. Petrobras has informed that the amount involved related to the work performed by the Group amounts to R$152 million (US$67 million translated at historical rates), excluding penalties, interest and fees. The Group has contested Petrobras' allegations in a response letter stating that Petrobras "has no legal or commercial grounds to seek recoverability of such losses from the Group" and that "will not accept any withholding or deduction of the amounts to be received under the charter agreements". Should Petrobras fail on its appeals and, consequently, the Group receives any future charges aiming the reimbursement of Petrobras' losses, the Group will contest such charges.

17 DERIVATIVES

Under the terms of the project financing arrangements (Note 14), the Group is contractually required to manage its risk on variable interest rates by eliminating variable-to-fixed interest rate swaps on its long-term variable rate loans. Accordingly, in order to protect the Group from fluctuations in interest rates, interest rate swaps are used to convert the variable component of interest rates to fixed rates ranging from 1.79% p.a. to 2.90% p.a.. The floating component of interest rate of all derivatives agreements is the US$ LIBOR interest rate.

As of December 31, 2017, the Group has interest rate swaps related to the loans funding the Amaralina Star, Laguna Star and Brava Star drillships. The swap agreements cover the expected periods of the loans and terminates between 2017 and 2020.

Atendimento Prisma

Information on derivative agreements

Interest rate swaps US$ LIBOR/Pre-fixed rate

Financial institution	Loans and financings objective	Payable leg interest rate (per annum)	Maturity	Notional amount Dec. 31, 2017	Notional amount Dec. 31, 2016	Fair value Dec. 31, 2017	Fair value Dec. 31, 2016
ING (leader arranger)	Gold Star construction	5.16%	Jul/2017	-	42,421	-	857
Citibank and Santander (joint leader arranger)	Alpha Star construction	1.93%	Jul/2017	-	189,558	-	1,107
	Non-designated to hedge accounting			-	231,979	-	1,964
BNP, Citibank and ING (joint leader arranger) (*)	Amaralina Star construction	2.81%	Sep/2018	181,497	249,688	1,223	5,825
BNP, Citibank and ING (joint leader arranger) (*)	Laguna Star construction	2.90%	Nov/2018	193,240	258,350	1,594	6,704
BNP, Citi, ING and DNB (mandated leader arranger) (*)	Brava Star construction	1.79%	Sep/2020	166,145	187,583	(1,124)	457
BNP and ING (mandated leader arranger) (*)	Brava Star construction	1.84%	Sep/2020	165,168	186,480	(920)	741
	Designated to hedge accounting			706.050	882,101	773	13,727
			Total amount	706.050	1,114,080	773	15,691
			Current assets			106	-
			Non-current assets			1,938	946
			Current liabilities			2,817	12,784
			Non-current liabilities			-	3,853

Changes in fair values are as follows:

	Year-ended December 31, 2017	Year-ended December 31, 2016
Balance as of January 1,	15,691	34,679
Fair value adjustments through profit or loss	5,006	8,561
Fair value adjustments through other comprehensive income/(loss)(*)	(7,044)	(2,103)
Cash payments on derivatives	(12,880)	(25,446)
Balance as of December 31,	773	15,691

(*) The Group has adopted the hedge accounting as from July 15, 2011, using derivative agreements related to Amaralina Star and Laguna Star drillships construction. The Group has adopted the hedge accounting using the derivative agreement related to Brava Star drillship construction as from June 4, 2015. Accordingly, the effect of the changes in the fair value of the derivative agreements designated to hedge accounting are recorded in “Other Comprehensive Income/(Loss)”.

Interest rate swap agreements exchanging variable to fixed interest rates are designated and effective as fair value hedges in respect of interest rates. During the periods presented, the hedge was effective in hedging the fair value.

Atendimento Prisma

Derivative agreements designated as cash flow hedges

Under interest rate swap agreements, the Group agrees to exchange the differences between fixed and variable rate interest amounts calculated on agreed notional principal amounts. Such agreements enable the Group to mitigate the risk of cash flow exposures on the issued variable rate debt. The fair value of the interest rate swap at the end of the reporting period is determined by discounting the future cash flows using the yield curves, as disclosed below.

In connection with the project financings (Note 14) for the construction of Amaralina Star, Laguna Star and Brava Star drillships, the Group has a contractual commitment with the same financial institutions to contract derivatives as hedging instruments of the debt in relation to changes in LIBOR. Accordingly, the Group has swap agreements in connection with the rates, spreads, notional, terms and debt cash flows. The swap agreements were contracted in July 2011 and June 2015 and follows the related project financings terms.

18 SHAREHOLDERS' EQUITY

a) Share capital

As of December 31, 2017 and 2016, the Company's share capital amounts to US$63,200, comprised by 189,227,364 ordinary shares, with no par value, as follows:

	December 31, 2017						
	Shares				Rights over the amounts		
	Class A	%	Class B	%	Share capital	Share premium	Total
Lux Oil & Gas International S.à.r.l (formerly named Queiroz International S.à.r.l)	140,293,142	75.10%	-	-	46,857	568,328	615,185
Constellation Holdings S.à.r.l.	16,862,219	9.03%	876,880	36.25%	5,925	71,861	77,786
Constellation Coinvestment S.à.r.l.	14,800,460	7.92%	769,663	31.82%	5,200	63,075	68,275
CIPEF VI QGOG S.à.r.l.	14,564,483	7.80%	757,392	31.31%	5,117	62,069	67,186
CGPE VI, L.P.	288,141	0.15%	14,984	0.62%	101	1,228	1,329
Total shares per class	186,808,445	100.00%	2,418,919	100.00%	63,200	766,561	829,761
Total shares			189,227,364				

	December 31, 2016			
		Rights over the amounts		
Shareholders	Ordinary shares	Share capital	Share premium	Total
Lux Oil & Gas International S.à.r.l	140,293,142	46,857	568,328	615,185
Constellation Holdings S.à.r.l.	17,739,099	5,925	71,861	77,786
Constellation Coinvestment S.à.r.l.	15,570,123	5,200	63,075	68,275
CIPEF VI QGOG S.à.r.l.	15,321,875	5,117	62,069	67,186
CGPE VI L.P.	303,125	101	1,228	1,329
Total	189,227,364	63,200	766,561	829,761

Atendimento Prisma

On March 13, 2017, the Extraordinary General Meeting of the shareholders of the Company was held, whereby the shareholders resolved: (i) to create 2 (two) classes of shares, one with voting rights ("Class A") and the other with no voting rights ("Class B"); (ii) conversion by the shareholders of their shares into Class A and Class B shares; and (iii) specific amendments to the Company's articles of association.

The Company's ultimate controlling party is the Queiroz Galvão family.

b) Legal reserve

In accordance with Luxembourg Corporate Law, the shareholders of a *société anonyme* must allocate 5% of the Company's annual profit of its stand-alone financial information, after deducting of any losses brought forward from previous years, to the minimum legal reserve. Such allocation must consider the Company's stand-alone statutory financial statements prepared in accordance with Luxembourg Generally Accepted Accounting Principles ("Lux GAAP"), which differs in certain aspects from IFRSs/IASB.

The aforementioned requirement will only cease when the legal reserve reaches an amount equivalent to 10% of the Company's issued share capital. Additionally, this reserve may not be distributed in the form of cash dividends, or otherwise, during the Company's existence. The appropriation to legal reserve becomes effective after approval at the general shareholders meeting.

For the year ended December 31, 2017, the Company did not constitute legal reserve due to the fact that it has no statutory profits for the year then ended in the stand-alone statutory financial statements prepared in accordance with Lux GAAP.

c) Shareholders distribution policy

The form of distribution to shareholders, whether as dividends, repayment of share premium or repurchase of own shares is based upon the Company's stand-alone statutory financial statements prepared in accordance with Lux GAAP, which must comply with Luxembourg laws and regulations. Additionally, any distribution of statutory profits to the shareholders will be subject to a Luxembourg withholding tax rate of 15% (17.65% if the dividend tax is not charged to the shareholder), subject to the exceptions provided by the Luxembourg tax law or by double tax treaties concluded by the Grand Duchy of Luxembourg and the country of the shareholders tax residency. The withholding tax must be withheld from the gross distribution and paid to the Luxembourg tax authorities.

Following the Company's articles of association, the share premium account balance presented in the Lux GAAP stand-alone statutory accounts may, for example, be used to provide for the payment of any shares that the Company may redeem from its shareholders, to offset any net realized losses or to make distributions to the shareholders, such list being a non-exhaustive list of the purposes for which the amount of the share premium account may be used.

For the year ended December 31, 2017, the Company did not pay dividends.

On June 27, 2016, as approved by extraordinary general meetings of shareholders, the Company fully paid the amount of US$94,416 as partial repayment of the share premium account in the Company's stand-alone statutory financial statements prepared in accordance with Lux GAAP. In accordance with Luxembourg tax law, the repayments of share premium were not subject to withholding tax.

For the purposes of the Company's amended and restated consolidated financial statements prepared in accordance with IFRSs/IASB, such payments were disclosed as "payment of dividends" and are compliant with the financial covenants under the Group's existing financing agreements (Note 14).

d) Other Comprehensive Items (OCI)

Cash flow hedging reserve

The cash flow hedging reserve consists of the effective portion of cash flow hedging instruments related to hedged financing transactions (Note 17).

Foreign currency translation adjustments reserve

The currency translation adjustments reserve is used to record exchange adjustments arising from the translation of foreign subsidiaries' financial information.

Atendimento Prisma

Changes in Other Comprehensive Items

Changes in comprehensive income for the years ended December 31, 2017 and 2016 are as follows:

Atendimento Prisma

	Cash flow hedge fair value adjustments attributable to					
	Owners of the Group	Non-controlling interests	Total	Share of investments' other comprehensive loss	Foreign currency translation adjustments	Total
Balance as of December 31, 2015	(6,042)	(1,897)	(7,939)	(13,872)	(18,851)	(40,662)
Fair value adjustments on:						
Derivative agreements	2,293	(190)	2,103	-	-	2,103
Joint ventures' derivative agreements	-	-	-	3,099	-	3,099
Associates' financial assets	-	-	-	123	-	123
Exchange differences arising during the year:						
On investments	-	-	-	(1,506)	-	(1,506)
On subsidiaries	-	-	-	-	10,721	10,721
Balance as of December 31, 2016	(3,749)	(2,087)	(5,836)	(12,156)	(8,130)	(26,122)
Fair value adjustments on:						
Derivative agreements	5,333	1,711	7,044	-	-	7,044
Joint ventures' derivative agreements	-	-	-	4,293	-	4,293
Exchange differences arising during the year:						
On investments	-	-	-	236	-	236
On subsidiaries	-	-	-	-	(2,207)	(2,207)
Balance as of December 31, 2017	1,584	(376)	1,208	(7,627)	(10,337)	(16,756)

e) Non-controlling interests

The Group's amended and restated consolidated financial statements include Amaralina Cooperatief U.A., Amaralina Star Ltd., Laguna Cooperatief U.A., Laguna Star Ltd., Manisa Serviços de Petróleo Ltda., Palase C.V., Podocarpus C.V. and Tarsus Serviços de Petróleo Ltda., whose share capital is 55% owned by the Group. The portion of such entities total shareholders' equity not attributable to the Group is included in non-controlling interests.

f) Profit/ (loss) per share

Basic and diluted profit/ (loss) per share amounts are calculated by dividing the profit/ (loss) for the period, all from continuing operations, attributable to ordinary equity holders of the parent by the Company's weighted average number of ordinary shares outstanding during the period.

	Year-ended December 31,	
	2017 (Restated)	2016
Profit/ (loss) attributable to the owners of the Group	(1,055,843)	138,723
Weighted average number of ordinary shares for calculation purposes (thousands of shares) (*)	189,227	189,227
Basic and diluted profit/ (loss) per share (in U.S. dollars – US$)	(5.58)	0.73

(*) The Group has no potential dilutive shares. Therefore, diluted profit/ (loss) per share is equal to basic profit/ (loss) per share.

Atendimento Prisma

19 NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements. As of December 31, 2017 and 2016, Petrobras has accounted for 98% and 99%, respectively, of total revenues.

Net operating revenue is presented after the following items:

	Year-ended December 31,	
	2017	2016
Gross operating revenue	971,140	1,146,489
Taxes levied on revenue:		
Social Integration Program (PIS) (*)	(3,147)	(3,389)
Social Investment Program (COFINS) (*)	(14,496)	(15,638)
Services Tax (ISS) (*)	(4,038)	(4,151)
Withholding Income tax (IRRF)	(3,669)	(3,655)
Net operating revenue	945,790	1,119,656

(*) Taxes levied on revenues are applicable only to the revenues generated by SPC.

20 COST OF SERVICES AND OPERATING EXPENSES

	Year-ended December 31,					
	2017			2016		
Costs and expenses by nature	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, charges and benefits	(146,065)	(15,263)	(161,328)	(154,682)	(24,300)	(178,982)
Depreciation	(229,192)	(689)	(229,881)	(233,099)	(737)	(233,836)
Materials	(56,691)	-	(56,691)	(54,471)	-	(54,471)
Maintenance	(62,467)	-	(62,467)	(58,087)	-	(58,087)
Insurance	(16,359)	-	(16,359)	(16,979)	-	(16,979)
Other (1)/(2)	(21,669)	(11,532)	(33,201)	(20,946)	(19,116)	(40,062)
	(532,443)	(27,484)	(559,927)	(538,264)	(44,153)	(582,417)

(1) Other cost of services: mainly comprised by rig boarding transportation, lodging and meals, data transmission, among others.

(2) Other general and administrative expenses: mainly comprised by transportation, information technology services, external legal advisors fees, independent auditors fees, advisory services fees, among others.

Atendimento Prisma

21 OTHER EXPENSES, NET

	Year-ended December 31,	
	2017 (Restated)	2016
Contractual fee	1,700	17,905
Revenue from sales of PP&E	31	851
Other	1,056	143
Other income	2,787	18,899
Provision for impairment (Note 13)	(1,400,470)	(261,802)
Provision for onerous contract (Note 1.b)	(35,984)	-
Inventory write-down (Note 10)	-	(6,055)
Penalties (Note 15)	(3,179)	352
Cost of PP&E sold	(15)	(1,008)
Other (*)	(2,888)	(38)
Other expenses	(1,442,536)	(268,551)
Total other expenses, net	(1,439,749)	(249,652)

(*) Mainly related to tax levied on dividends received from SBM Espírito do Mar Inc in the amount of US$2,310. (Note 12).

22 FINANCIAL EXPENSES, NET

	Year-ended December 31,	
	2017	2016
Interest on short-term investments	5,751	5,295
Financial income from related parties	7,958	8,777
Other financial income	1,567	1,245
Financial income	15,276	15,317
Financial expenses on loans and financings (Note 14.a)	(119,749)	(114,029)
Derivative expenses (Note 17)	(5,006)	(8,561)
Financial expenses from related parties	(1,428)	(1,419)
Other financial expenses	(5,728)	(9,335)
Financial expenses	(131,911)	(133,344)
Foreign exchange variation loss, net	(608)	(721)
Financial expenses, net	(117,243)	(118,748)

Atendimento Prisma

23 TAXES

Most of the Group's entities are located in jurisdictions that are exempt from corporate income tax. Additionally, certain of the Company's subsidiaries operates in the Netherlands, Switzerland and Luxembourg, but none of these reported taxable income for the years presented.

SPC, one of the Company's subsidiaries, operates in Brazil, and the related taxes and contributions are as follows:

a) Recoverable taxes

	December 31,	
	2017	2016
Income tax (IRPJ) and social contribution on net income (CSLL) (i)	8,820	1,339
Social Security Contribution (INSS) (ii)	7,952	8,486
Other	289	20
Total	17,061	9,845
Current	9,377	4,005
Non-current	7,684	5,840

(i) Mainly refers to withholding taxes on revenues that are compensated with other federal taxes.

(ii) Maintenance revenues generated by SPC are subjected to Social Security Contribution over Gross Revenue (*Contribuição Previdenciária sobre a Receita Bruta* - CPRB), instead of SPC being charged of Social Contribution over payroll (INSS).

b) Taxes payables

	December 31,	
	2017	2016
Services Tax (ISS)	1,232	1,813
Income tax (IRPJ) and social contribution (CSLL)	323	307
Social Integration Program (PIS) and Social Investment Program (COFINS)	2,123	197
State VAT (ICMS)	27	-
Good and Service Tax (GST) (*)	281	-
Total	3,986	2,317

(*) Refers to the indirect tax in India.

c) Deferred tax assets

	December 31,	
	2017	2016
Income tax (IRPJ) and social contribution (CSLL) (*)	10,999	7,505
Total	10,999	7,505

(*) Mainly refers to deferred income arising from provisions for contingencies and impairment losses on PP&E, which are derived from SPC's operations aiming future compensation based on reliable taxable profit estimates.

Atendimento Prisma

d) Effect of income tax results

The tax rate used for the year ended December 31, 2017 and 2016 reconciliations below refers to the corporate nominal tax rate of 34% in accordance with Brazilian tax legislation, jurisdiction in which SPC (Brazilian subsidiary) operates. For the Year ended December 31, 2017, reconciliations below also consider the corporate nominal tax rate of 20% in accordance with British tax legislation, jurisdiction in which QGOG Constellation UK Ltd. operates.

The amounts reported as income tax expense in the amended and restated consolidated statement of operations are reconciled from the nominal rate to the effective rate as follows:

	Year-ended December 31,	
	2017	2016
Profit/ (loss) before taxes	(1,148,796)	172,204
Income tax and social contribution at nominal rate (*)	9,463	(11,744)
Adjustments to derive effective tax rate:		
Non-deductible expenses	(10,024)	(613)
Other	680	(246)
Income tax expense recognized in profit or loss	119	(12,603)
Current taxes	(3,381)	(17,031)
Deferred taxes	3,500	4,428

(*) Nominal tax rate applied on profits/ (loss) before taxes related to SPC and QGOG Constellation UK Ltd..

Atendimento Prisma

24 FINANCIAL INSTRUMENTS

a) General considerations

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of debt and equity balance.

The Group's main financial instruments are as follows:

		December 31,			
		2017		2016	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	Loans and receivables	216,263	216,263	293,189	293,189
Short-term investments	Fair value through profit or loss	13,500	13,500	113,866	113,866
Restricted cash	Fair value through profit or loss	39,035	39,035	43,222	43,222
Trade and other receivables	Loans and receivables	67,144	67,144	81,050	81,050
Receivables from related parties	Loans and receivables	383,528	383,528	342,130	342,130
Derivatives	Fair value through profit or loss	2,044	2,044	946	946
Financial liabilities					
Loans and financings	Other financial liabilities	1,655,183	1,448,674	2,195,689	1,952,855
Trade and other payables	Other financial liabilities	37,537	37,537	29,488	29,488
Payables to related parties	Other financial liabilities	346,470	346,470	311,920	311,920
Derivatives	Fair value through profit or loss	2,817	2,817	16,637	16,637

The Group has no forward agreements, options, *swaptions* (swaps with non-exercise options), flexible options, derivatives embedded in other products or exotic derivatives. The Group does not conduct derivative transactions for speculative purposes, thus reaffirming its commitment to a policy of conservative cash management.

Except for loans and financings, Management also believes that the carrying amounts of the remaining financial instruments do not significantly differ from their fair value as it considers that interest rates on such instruments are not significantly different from market rates. Interest rates that are currently available to the Group for issuance of debt with similar terms and maturities were applied to estimate the fair value of loans and financings.

Additionally, the amounts of trade accounts receivables and payables disclosed in these amended and restated consolidated financial statements do not significantly differ from their fair value due to the turnover of these accounts being of approximately 30 days.

Fair value hierarchy

IFRS 7 - *Financial Instruments: Disclosures* defines fair value as the value or price that would be received to sell an asset or paid to transfer a liability in a transaction between participants in an ordinary market on the measurement date. IFRS 7 clarifies that fair value shall be based on assumptions that market participants use when measuring a value or price for an asset or a liability and establishes a hierarchy that prioritizes the information considered to develop those assumptions.

The fair value hierarchy gives greater weight to available market information (i.e., observable data) and less weight to information related to data without transparency (i.e., unobservable data). Additionally, it requires that the entity consider all aspects of nonperformance risk, including the entity's own credit to measure the fair value of a liability.

IFRS 7 also establishes a 3-levels hierarchy to be used in order to measure and disclose the fair value. A categorization tool in the fair value hierarchy is based on the lowest level of "input" significant for its measurement. A description of the 3 hierarchical levels is as follows:

Level 1 - The "inputs" are determined based on prices in an active market for identical assets or liabilities at the measurement date. Additionally, the entity must be able to trade in an active market and the price cannot be adjusted by the entity.

Level 2 - The "inputs" are other than prices as determined by Level 1 that are observable for the asset or liability, directly or indirectly. The "inputs" level include two prices in an active market for similar assets or liabilities, prices in an inactive market for identical assets or liabilities, or "inputs" that are observable or can corroborate the observation of market data by correlation or other means for substantially every part of the asset or liability.

Level 3 - The "inputs" are those unobservable from minor or no market activity. These "inputs" represent management's best estimates as market participants could assign value or price for these assets or liabilities. Generally, the assets and liabilities are measured using Level 3 pricing models, discounted cash flow or similar methods that require significant judgments or estimates, such as the inputs considered in the impairment test.

According to IAS 39 - *Financial Instruments: Recognition and Measurement*, the Group measures its short-term investments, restricted cash and derivative financial instruments at fair value through profit or loss. Short-term investments and restricted cash are classified as Level 1, due to the fact that they are measured using market prices for identical instruments. Derivative financial instruments are classified as Level 2, due to the fact that they are measured using similar financial instruments.

Financial instruments fair value measurement

Atendimento Prisma

The Group assessed the evaluation of financial assets and liabilities in relation to its market values or its effective recoverable amount, using available information and best practices and methodologies of market valuations for each situation.

Market data information interpretation about methodologies choice requires a higher level of judgment and establishment of reasonable estimate to achieve the fair value. Consequently, the estimate presented may not necessarily indicate the amounts that may be obtained in current market. The use of different hypothesis to fair values calculation can result in significant effect in obtained values.

The method used to assess the derivatives fair value, represented exclusively by interest rate swaps, was obtained by inputs that are observable or can corroborate the observation of market data by correlation or other means for substantially every part of the asset or liability.

For securities that has quoted price in active markets (Project Bond/ Corporate Bond/ New Notes), the fair value is equal to its last quoted price at the balance sheet date obtained from Bloomberg, multiplied by the number of notes in circulation.

For agreements where the current conditions are similar to those in which they originated or that do not have parameters for quotation or contract, fair values are similar to its carrying amounts.

In the evaluation carried out for determining the fair value of assets and liabilities measured at amortized cost method, it was not considered the applicability of this evaluation to trade and other receivables and payables due to its very short-term of maturity.

b) Financial risk management

The Group is exposed to liquidity, credit and market risks. Management believes that the Group's main market risk refers to its exposure to interest rate risk, as discussed below.

<u>Liquidity risk</u>

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built a liquidity risk management framework for managing the Group's short and long-term funding and liquidity management requirements. The Group manages liquidity risk by a combination of maintaining adequate reserves, banking facilities and reserve borrowing facilities (Note 14) and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group maintains relationships with specific lenders and constantly monitors its funding needs together with such lenders. The Group manages the majority of its long-term financings on a project-by-project basis. Such financings are arranged as required to support the Group's operations and growth plans.

Atendimento Prisma

As of December 31, 2017 and 2016, the Group presents net working capital deficiency in the amounts of US$421,990 and US$136,709, respectively, mainly due to the reclassification of part of its inventories to non-current assets (Note 10), working capital loans originally maturing in July 2018, the current portion of its long-term loans and financings (Note 14) and lower operating cash flow generation due to the expiration of certain of its charter and service-rendering agreements. As disclosed in Note 1, the Group has taken financial restructuring actions aiming at improving its liquidity position by extending the maturity of its existing debt.

The following table details the Group's liquidity analysis for its non-derivative financial liabilities and related derivative financial instruments. The table has been drawn up based on the undiscounted contractual cash inflows and outflows for the financial instruments.

When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period:

December 31, 2017

Period	Trade payables	Loans and financings	Derivatives	Payables to related parties	Total
2018	37,537	745,462	2,655	6,818	792,472
2019	-	224,139	(1,130)	71,925	294,934
2020	-	358,099	(874)	82,542	439,767
2021	-	80,894	-	92,195	173,089
After 2021	-	705,779	-	226,601	932,380
Total	37,537	2,114,373	651	480,081	2,632,642

December 31, 2016

Period	Trade payables	Loans and financings	Derivatives	Payables to related parties	Total
2017	29,488	771,161	12,341	3,924	816,914
2018	-	586,931	4,613	6,635	598,179
2019	-	803,982	(222)	88,534	892,294
2020	-	281,658	(339)	101,604	382,923
2021	-	-	-	113,485	113,485
After 2021	-	-	-	220,996	220,996
Total	29,488	2,443,732	16,393	535,178	3,024,791

Atendimento Prisma

Credit risk

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial losses to the Group. Financial instruments that potentially subject the Group to concentrations of credit risk are primarily cash and cash equivalents, trade receivables and receivables from related parties. The maximum exposure amounts of such financial instruments are those disclosed in Notes 6, 9 and 11, respectively.

It is the Group’s practice to place its cash and cash equivalents in time deposits at financial institutions with high credit ratings or at mutual funds, which invest exclusively in high quality money market instruments. The Group limits the exposure amount to any one financial institution to minimize its credit risk exposure.

For the years ended December 31, 2017 and 2016, Petrobras has accounted for 98% and 99%, respectively, of total revenues (Note 19). Therefore, Management considers that the credit risk arising from this concentration is minimal, considering that Petrobras is a government controlled entity with a history of full payment.

Market Risk (interest rate risk)

The Group is exposed to interest rate risk due to the fact that Group entities borrow funds at both fixed and variable interest rates. The Group manages such risk by maintaining an appropriate mix between fixed and variable rate borrowings and by using interest rate swap instruments. The Group is exposed to fluctuations in US$ LIBOR interest rates charged on its loans and financings (Note 14). The Group manages the interest rate risk related to the project financing agreements by eliminating variable-to-fixed interest rate swaps (Note 17).

As a result of the swaps in place at the balance sheet date, the Group’s exposure to changes in interest rate expense as a result of fluctuations in US$ LIBOR interest rates is in respect of changes in fair values of the respective interest rate swaps. These interest rate swaps are held at fair value in the amended and restated consolidated statement of financial position (Note 17). The fair value of these instruments is affected by factors including market expectations for future changes to US$ LIBOR. Changes to these expectations affect the value of the Group’s swaps, producing effects in the amended and restated consolidated statement of operations and amended and restated consolidated statement of comprehensive income unless such changes are capitalized.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period and considers the effects of an increase or decrease of 0.1 percent on outstanding loans and financings and the effects of either an increase or a decrease of 0.1 percent in the interest curve (LIBOR), and its impacts in the swaps mark to market on the date of the amended and restated consolidated financial statements. For variable rate liabilities (US$ LIBOR plus spread), the analysis is prepared assuming the liability amount outstanding at the end of the reporting period was outstanding for the entire period. A 0.1 percent increase or decrease in US$ LIBOR is used when reporting interest rate risk internally to key management personnel and represents Management’s assessment of the reasonably possible change in interest rates.

Atendimento Prisma

If the US$ LIBOR had been 0.1 percent higher/lower and all other variables were held constant, the Group's comprehensive income would be impacted as follows:

Risk: interest rate variation	December 31, 2017	Scenario I [(i)]	Scenario II [(ii)]
		Increase/ (decrease) in P&L	
Variable interest rate loans (Note 14)	152,965	(153)	153
Variable interest rate financings (Note 14)	727,530	(728)	728
Total	880,495	(880)	880
		Increase/ (decrease) in OCI	
Hedge derivatives (Note 17)	(706,050)	706	(706)

(i) Increase of 0.1% in interest rate.
(ii) Decrease of 0.1% in interest rate.

c) Capital management

The Group manages its capital structure, which consists of the relation between financial debt and shareholders' equity in accordance with best market practices, as follows:

	December 31, 2017 (Restated)	December 31, 2016
Loans and financings [(a)]	1,655,183	2,195,689
Cash transactions [(b)]	(268,798)	(450,277)
Net debt [(c)]	1,386,385	1,745,412
Shareholders' equity [(d)]	1,382,585	2,528,143
Net debt on shareholders' equity plus net debt [(c)] ÷ [(c) + (d)]	50%	41%

(a) Consider all loans and financings balances.
(b) Includes cash and cash equivalents, short-term investments and restricted cash balances.
(c) Includes all shareholders' equity accounts.

Atendimento Prisma

25 INSURANCE

As of December 31, 2017 and 2016, major assets or interests covered by insurance policies and their respective coverage amounts are summarized below:

	December 31, 2017	December 31, 2016
Civil liability	2,373,000	2,523,000
Operating risks	3,643,573	5,449,180
Operational headquarter and others	20,826	24,184
Total	6,037,399	7,996,364

The Group's practice in relation to its insurance policies is to hire solid insurance companies in the insurance market.

26 PENSION PLAN

The Group, through its subsidiary SPC, offers a private defined contribution pension plan to all employees, including key management personnel. Under the pension plan, up to 12% of the monthly salary is contributed by the employee and up to 6.5% by SPC, according to the employee's seniority level. The pension plan is managed by Bradesco Vida e Previdência S.A. When employees choose to leave the plan before the end of payments, the contributions still payable are reduced by the amount already paid by SPC. Therefore, SPC's only obligation to the Pension Plan is to make its specified contributions.

For the years ended December 31, 2017 and 2016, contributions payable by SPC at rates specified by the plan rules amounts to US$474 and US$1,625, respectively.

27 ADDITIONAL INFORMATION ON CASH FLOWS

	Year-ended December 31,	
	2017	2016
Non-cash investing activities:		
Income from Alaskan Star offshore drilling disposal	-	680
	-	680
Non-cash financing activities:		
Corporate bond exchange offer (Note 14)	605,424	-
	605,424	-

28 SUBSEQUENT EVENTS

Working capital credit loans

Following the Group's strategy of improving its liquidity position in the short-term, on January 26, 2018, the Group signed a second amendment to the working capital credit loan agreements with Bradesco to postpone the next maturity date from January 26 to April 26, 2018.

On April 25, 2018, the Group extended for a 3-month period the aggregate US$75 million amortization installments of its working capital credit lines with Bradesco, formerly due on April 26, 2018. As a result of this extension, the next amortization payments were scheduled to occur on July 25, 2018, in the amount of US$150 million.

On July 25, 2018, the Group extended for a 1-month period its US$150 million working capital credit lines with Bradesco, formerly due on July 25, 2018, thus extending the maturity date to August 25, 2018. In connection with such extension, the Group has provided a guarantee of Constellation Overseas' obligations under the Bradesco Facilities.

On August 20, 2018, the Group extended its US$150 million working capital credit lines with Bradesco, formerly due on August 25, 2018, thus extending the maturity date to September 21, 2018.

On September 24, 2018, the Group extended its US$150 million working capital credit lines with Bradesco, formerly due on September 21, 2018, thus extending the maturity date to October 31, 2018.

Atendimento Prisma

On November 1, 2018, the Group extended its US$150 million working capital credit lines with Bradesco, formerly due on October 31, 2018, thus extending the maturity date to November 15, 2018.

On November 16, 2018, the Group extended its US$150 million working capital credit lines with Bradesco, formerly due on November 15, 2018, thus extending the maturity date to November 29, 2018.

On November 30, 2018, the Group extended its US$150 million working capital credit lines with Bradesco, formerly due on November 29, 2018. The extended maturity date is now scheduled to occur on December 8, 2018.

Onshore drilling rig QG-II charter and service-rendering agreements

On January 22, 2018, the Group signed an agreement to render drilling services to Ouro Preto Energia Onshore with the onshore drilling rig QG-II. The purpose of the agreement was to drill two oil wells in the Parnaíba Basin (Brazil). Operations began on August 1 and expired on October 23, 2018.

Gold Star offshore drilling rig charter and service-rendering agreements

On February 12, 2018, the Gold Star offshore drilling rig charter and service-rendering agreements with Petrobras expired, and thus the Group is currently seeking for new customers. Gold Star offshore drilling rig is currently under preservation at Rio de Janeiro, Brazil.

Lone Star offshore drilling rig charter and service-rendering agreements

On March 31, 2018, the Lone Star offshore drilling rig charter and service-rendering agreements with Petrobras expired, and thus the Group is currently seeking for new customers. Lone Star offshore drilling rig is currently under preservation at Rio de Janeiro, Brazil.

Deferment of interest payment on the 2019 and 2024 Notes

On May 7, 2018, the Group announced its intention to use the 30-day grace period aiming at deferral of an approximate US$27 million cash interest payment on its 9.5% Senior Notes due in 2024 and an approximate US$3 million cash interest payment on its 6.25% Senior Notes due in 2019, both of which were due on May 9, 2018.

On November 9, 2018, the Group announced its intention to use the 30-day grace period aiming at deferral of an approximate US$27 million cash interest payment on its 9.5% Senior Notes due in 2024 and an approximate US$3 million cash interest payment on its 6.25% Senior Notes due in 2019, both of which were due on November 9, 2018.

Senior Secured Notes – Project Bond

On July 30, 2018, the Group fully repaid and discharged QGOG Atlantic/Alaskan Rigs 5.25% Senior Secured Notes in the total outstanding amount of US$58,114.

Atendimento Prisma

Brava Star drillship charter and service-rendering agreements

On August 1, 2018, the Group announced that its drillship, the Brava Star, has been awarded a contract with Shell Brasil Petróleo Ltda ("Shell"), a Brazilian subsidiary of Royal Dutch Shell Plc. The purpose of the agreement is to drill four firm wells plus options for up to an additional 810 days period at the BC-10, Sul de Gato do Mato and Alto de Cabo Frio Oeste fields (offshore the Brazilian coast). The contract was signed in late July 2018 and operations are expected to commence by early 2019. On September 30, 2018, the Group has identified the necessity to recognize a provision for onerous contract in the amount of US$17,320, related to the aforementioned contract.

On August 16, 2018, the Brava Star offshore drilling charter and service rendering agreements with Petrobras expired. Therefore, the Group decided to maintain the Brava Star drillship under preservation at Rio de Janeiro, Brazil.

Constellation Overseas request for arbitration against Alperton

On August 7, 2018, Constellation Overseas filed a request for arbitration against Alperton under the parties' Shareholders' Agreements for Amaralina and Laguna. The dispute arises from the existence of a deadlock under the Shareholders' Agreements and involves the determination of the price at which Alperton is obligated to sell its shares in Amaralina and Laguna in such circumstances. In accordance with the Shareholders' Agreements, the request for arbitration was filed with the International Chamber of Commerce ("ICC") under its 2017 Rules of Arbitration.

On July 30, 2018, the directors nominated by Alperton to the Amaralina and Laguna boards issued a books and records claim in the BVI High Court (Commercial Division) against Amaralina and Laguna and the five directors nominated by Constellation Overseas to the Amaralina and Laguna boards.

On August 16, 2018, two of the directors nominated by Alperton to the Amaralina and Laguna boards issued a breach of fiduciary duties claim in the BVI High Court (Commercial Division) against the directors of Constellation Overseas.

On September 6, 2018, Alperton and its current and former guarantors under the Shareholders' Agreements issued an application (share transfer injunction claim) against Constellation Overseas and the Amaralina and Laguna in the BVI High Court (Commercial Division).

On September 14, 2018, Alperton submitted its "Answer and Counterclaims" in said arbitration.

On September 21, 2018, upon the existence of an un-remedied deadlock and as foreseen in the Shareholder's Agreements, all shares held by Alperton were formally transferred to Constellation Overseas.

On October 18, 2018, Constellation Overseas submitted its "Reply to Counterclaims" in the arbitration.

Atendimento Prisma

Laguna Star drillship charter and service-rendering agreements

On September 17, 2018, the Group announced that its drillship, the Laguna Star, has been awarded a contract with Queiroz Galvão Exploração e Produção S.A. ("QGEP"), a related party, for a campaign of one firm well up to 90 days, and two additional options for well interventions of 45 days each. The operations will be performed offshore the Brazilian coast, at the Atlanta field. The contract was signed in early September 2018, and operations are expected to commence by early 2019.

On September 30, 2018, the Group has identified the necessity to recognize a provision for onerous contract in the amount of US$3,528, related to the aforementioned contract.

Amaralina Star Facility

On September 28, 2018, the Group announced that Amaralina has entered into an amendment to extend the maturity date of the Amaralina Star Bank Tranche Loans under the Amaralina Star drillship project financing (the "Amaralina Star Facility"). The extended maturity date is October 31, 2018. Other than the extended maturity date, all other material terms of the Amaralina Star Facility are unchanged.

On November 1, 2018, the Group extended the maturity date of the Amaralina Star Facility, formerly due on October 31, 2018, thus extending the maturity date to November 15, 2018.

On November 16, 2018, the Group extended the maturity date of the Amaralina Star Facility, formerly due on October 31, 2018, thus extending the maturity date to November 29, 2018.

On November 30, 2018, the Group extended the maturity date of the Amaralina Star Facility, formerly due on November 29, 2018. The extended maturity date is now scheduled to occur on December 8, 2018.

Atendimento Prisma

Change of Name and election of new Chairman and member of the Board of Directors

On November 5, 2018, the Group announced that QGOG Constellation S.A. was changing its name to Constellation Oil Services Holding S.A. The Group also announced the election of two new independent members of the Board of Directors. The new board members are Mr. Rodolfo Landim, also appointed as Chairman, and Mrs. Maria Claudia Guimarães. They succeed Mr. Antônio Augusto de Queiroz Galvão and Mr. Lincoln Guardado, respectively.

Laguna Star Facility

On November 30, 2018, the Group extended the maturity date of the Laguna Star Facility, formerly due on November 30, 2018. The extended maturity date is now scheduled to occur on December 8, 2018.

Transocean Litigation

In November 2018, Transocean Offshore Deepwater Drilling Inc. and Transocean Brasil Ltda. (hereinafter together referred to as "Transocean") filed a claim against SPC and Brava Star Ltd., accusing both entities of infringing Transocean's dual-activity drilling technology patent. On November 19, 2018, a judicial decision rejected all preliminary injunctions requested by Transocean and a mediation and conciliation hearing is scheduled to February 4, 2019. The external legal advisors representing the Group in this case currently classify the loss probability as "possible" .

As of the date of the issuance of these amended and restated consolidated financial statements, the Group's Management cannot reliably estimate the amount involved.

Filing of Restructuring Proceedings to Implement Pre-negotiated Restructuring Agreement

As disclosed in Note 1, on December 6, 2018, the Company initiated a judicial recovery ("recuperação judicial") proceeding in Brazil to implement a pre-negotiated restructuring of its debt, which was accepted by the Brazilian court on the same date.

The Group's restructuring has the support of a majority of its creditors, including 97.5% of the lenders under its project financings consisting of the syndicated secured credit facility with Amaralina and Laguna as borrowers and the syndicated secured credit facility with Brava Star as borrower, its working capital facility with Bradesco, as well as its shareholders.

Additionally, on December 7, 2018 the Company informed that has reached an agreement in principle with a majority of the 2024 bondholders, subject to definitive documentation and approval by the parties to that certain plan support agreement entered into in connection with the restructuring proceedings. (Information not examined by the independent auditors)

Olinda Star Incident

Atendimento Prisma

On December 14, 2018, the offshore drilling rig Olinda Star, which is operating on the east coast of India, was evacuated for safety reasons due to the proximity of a tropical storm and a list by stern was observed. The Olinda Star operating team is safe ashore. To date the Group's Management cannot estimate potential impacts, if any, following this subsequent event in the 2018 operations.

29 APPROVAL OF THE AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS

The amended and restated consolidated financial statements were authorized for issue by the Company's Board of Directors on December 19, 2018.