

# **Constellation Oil Services Holding S.A.**

Amended and Restated Unaudited Condensed  
Consolidated Interim Financial Statements as of  
June 30, 2018 and for the Three and Six-month  
Periods Then Ended

Atendimento Prisma

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## CONSTELLATION OIL SERVICES HOLDING S.A.

### NOTES TO THE AMENDED AND RESTATED UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF JUNE 30, 2018 AND FOR THE THREE AND SIX-MONTH PERIOD THEN ENDED

(Amounts expressed in thousands of U.S. dollars - US\$ '000, unless otherwise stated)

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#### 1. GENERAL INFORMATION

Constellation Oil Services Holding 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 9, 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 21.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 25).

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.

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

##### Offshore drilling units

| Drilling units            | Type             | Start of operations | Contract expiration date<br>(current or previous) | Customer<br>(current or previous) |
|---------------------------|------------------|---------------------|---|-----------------------------------|
| Atlantic Star             | Semi-submersible | 1997                | January 2019                                      | Petrobras                         |
| Olinda Star               | Semi-submersible | 2009                | January 2021 (Note 1.b)                           | ONGC                              |
| Gold Star <sup>(*)</sup>  | Semi-submersible | 2010                | February 2018 (Note 1.e)                          | Petrobras                         |
| Lone Star <sup>(*)</sup>  | Semi-submersible | 2011                | March 2018 (Note 1.f)                             | Petrobras                         |
| Alpha Star <sup>(*)</sup> | Semi-submersible | 2011                | July 2017 (Note 1.g)                              | Petrobras                         |
| Amaralina Star            | Drillship        | 2012                | September 2018                                    | Petrobras                         |
| Laguna Star               | Drillship        | 2012                | November 2018                                     | Petrobras                         |
| Brava Star                | Drillship        | 2015                | August 2018 (Note 1.k)                            | Petrobras                         |

##### Onshore drilling units

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

(\*) As of June 30, 2018, 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 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\$42,231, related to the contract between Olinda Star and ONGC.

- c) 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.

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

On March 17, 2018, the Laguna Star offshore drilling rig started its 5-year survey and on April 27, 2018, it returned to operate under the current charter and service-rendering agreements with Petrobras, which expires in November 2018.

- e) 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.

- f) 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.

- g) 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.

- h) 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”), 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 Carandaty Basin (Paraguay), under a 180-days minimum term as from the commencement day. The operations commenced on December 28, 2017. On July 13, 2018, the onshore drilling rig and render drilling services agreements expired and thus the Group is currently seeking for new customers.

- i) 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.

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

On January 22, 2018, the Group signed an agreement to render drilling services for Ouro Preto Energia Onshore with the onshore drilling rig QG-II. The purpose of the agreement is to drill two oil wells in the Parnaíba Basin (Brazil). Operations began on August 1<sup>st</sup>, 2018.

k) 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\$325,687 and US\$421,990 as of June 30, 2018 and December 31, 2017, 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 11 (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 25). 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.

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 1<sup>st</sup> 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 25) 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 condensed consolidated interim financial statements in addition with the RJ plan approval will enable the Group to maintain its operational continuity and comply with its financial commitments.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The amended and restated unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34 *Interim Financial Reporting* ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), on a basis consistent with the significant accounting policies and critical accounting estimates disclosed in Notes 3 and 4, respectively, to the annual consolidated financial statements as of December 31, 2017 and for the year then ended.

IAS 34 requires the use of certain accounting estimates by the Company's Management. The amended and restated unaudited condensed consolidated interim financial statements were prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value (Note 21.a).

The amended and restated unaudited condensed consolidated interim financial statements do not include all the information and disclosure items required in the annual consolidated financial statements. Therefore, they must be read together with the Company's annual consolidated financial statements related to the year ended December 31, 2017, which were prepared according to accounting policies, as described above. There were no changes in the accounting policies and critical accounting estimates adopted on December 31, 2017 and June 30, 2018.

The consolidated financial statements incorporate the Company and its subsidiaries. There were no changes in the consolidated entities and investments disclosed in Note 5 to the annual consolidated financial statements as of December 31, 2017 and for the year then ended.

### Restatement of corresponding figures for the three and six-month period ended June 30, 2018

As disclosed in note 3.18 to the annual consolidated financial statements as of December 31, 2017 and for the year then ended the Group restate the corresponding amounts related to the consolidated balance sheet as of June 30, 2018, and to the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the

three and six-month period ended June 30, 2018, in accordance with technical pronouncements IAS 8 - *Accounting Policies, Changes in Accounting Estimates and Errors* and IAS 1 - *Presentation of Financial Statements*.

a) Consolidated statement of financial position

| <u>ASSETS</u>                      | June 30, 2018       |                    |                  |
|------------------------------------|---------------------|--------------------|------------------|
|                                    | Previously reported | Restatement        | Restated         |
| <b>CURRENT ASSETS</b>              |                     |                    |                  |
| Cash and cash equivalents          | 172,392             |                    | 172,392          |
| Short-term investments             | 3,532               |                    | 3,532            |
| Restricted cash                    | 30,803              |                    | 30,803           |
| Trade and other receivables        | 95,967              |                    | 95,967           |
| Inventories                        | 25,441              |                    | 25,441           |
| Recoverable taxes                  | 12,610              |                    | 12,610           |
| Deferred mobilization costs        | 4,507               |                    | 4,507            |
| Receivables from related parties   | 1,004               |                    | 1,004            |
| Derivatives                        | 2,469               |                    | 2,469            |
| Other current assets               | 25,034              |                    | 25,034           |
| Total current assets               | <u>373,759</u>      |                    | <u>373,759</u>   |
| <b>NON-CURRENT ASSETS</b>          |                     |                    |                  |
| Receivables from related parties   | 418,239             |                    | 418,239          |
| Derivatives                        | 3,002               |                    | 3,002            |
| Other non-current assets           | 2,156               |                    | 2,156            |
| Deferred mobilization costs        | 3,562               |                    | 3,562            |
| Recoverable taxes                  | 6,593               |                    | 6,593            |
| Deferred tax assets                | 15,075              |                    | 15,075           |
| Inventories                        | 147,258             |                    | 147,258          |
| Investments                        | 274,769             |                    | 274,769          |
| Property, plant and equipment, net | 3,561,002           | (1,254,916)        | 2,306,086        |
| Total non-current assets           | <u>4,431,926</u>    | <u>(1,254,916)</u> | <u>3,177,010</u> |
| <b>TOTAL ASSETS</b>                | <u>4,805,685</u>    | <u>(1,254,916)</u> | <u>3,550,769</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

|                                | June, 30 2018       |                |                  |
|--------------------------------|---------------------|----------------|------------------|
|                                | Previously reported | Restatement    | Restated         |
| <b>CURRENT LIABILITIES</b>     |                     |                |                  |
| Loans and financings           | 564,269             |                | 564,269          |
| Payroll and related charges    | 18,981              |                | 18,981           |
| Derivatives                    | 635                 |                | 635              |
| Trade and other payables       | 26,149              |                | 26,149           |
| Payables to related parties    | 1,801               |                | 1,801            |
| Taxes payables                 | 5,402               |                | 5,402            |
| Provisions                     | 1,040               |                | 1,040            |
| Deferred revenues              | 13,641              |                | 13,641           |
| Other current liabilities      | 67,191              | 337            | 67,528           |
| Total current liabilities      | <u>699,109</u>      | <u>337</u>     | <u>699,446</u>   |
| <b>NON-CURRENT LIABILITIES</b> |                     |                |                  |
| Loans and financings           | 979,734             |                | 979,734          |
| Payables to related parties    | 376,944             |                | 376,944          |
| Deferred revenues              | 5,251               |                | 5,251            |
| Other non-current liabilities  | 29,341              | (4,164)        | 25,177           |
| Total non-current liabilities  | <u>1,391,270</u>    | <u>(4,164)</u> | <u>1,387,106</u> |
| <b>TOTAL LIABILITIES</b>       | <u>2,090,379</u>    | <u>(3,827)</u> | <u>2,086,552</u> |



## Constellation Oil Services Holding S.A.

|   |                  |                    |
|---|------------------|--------------------|
| <b>SHAREHOLDERS' EQUITY</b>                       |                  |                    |
| Share capital                                     | 63,200           | 63,200             |
| Share premium                                     | 766,561          | 766,561            |
| Transaction costs on issuance of shares           | (9,721)          | (9,721)            |
| Reserves  | (6,597)          | (6,597)            |
| Retained earnings                                 | 1,834,169        | (1,139,267)        |
| Equity attributable to the owners of the Group    | 2,647,612        | (1,139,267)        |
| Equity attributable to non-controlling interests  | 67,694           | (111,822)          |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 | <b>2,715,306</b> | <b>(1,251,089)</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> |                  |                    |
|   | <b>4,805,685</b> | <b>(1,254,916)</b> |
|   |                  | <b>3,550,769</b>   |

## b) Consolidated statement of operations

|                                      | Three-month period ended June 30, 2018 |             |           |
|--------------------------------------|--|-------------|-----------|
|                                      | Previously reported                    | Restatement | Restated  |
| NET OPERATING REVENUE                | 149,595                                |             | 149,595   |
| COST OF SERVICES                     | (117,698)                              | 16,030      | (101,668) |
| GROSS PROFIT                         | 31,897                                 | 16,030      | 47,927    |
| General and administrative expenses  | (6,893)                                |             | (6,893)   |
| Other income                         | 7,123                                  | (1,211)     | 5,912     |
| Other expenses                       | (187)                                  |             | (187)     |
| OPERATING PROFIT                     | 31,940                                 | 14,819      | 46,759    |
| Financial income                     | 3,313                                  |             | 3,313     |
| Financial expenses                   | (31,602)                               |             | (31,602)  |
| Foreign exchange variation loss, net | (177)                                  |             | (177)     |
| FINANCIAL EXPENSES, NET              | (28,466)                               |             | (28,466)  |
| Share of results of investments      | 8,499                                  |             | 8,499     |
| PROFIT BEFORE TAXES                  | 11,973                                 | 14,819      | 26,792    |
| Taxes                                | 5,805                                  |             | 5,805     |
| PROFIT FOR THE PERIOD                | 17,778                                 | 14,819      | 32,597    |
| Profit attributable to:              |  |             |           |
| Owners of the Group                  | 17,687                                 | 13,461      | 31,148    |
| Non-controlling interests            | 91                                     | 1,358       | 1,449     |

|                                      | Six-month period<br>ended June 30, 2018 |             |           |
|--------------------------------------|---|-------------|-----------|
|                                      | Previously<br>reported                  | Restatement | Restated  |
| NET OPERATING REVENUE                | 323,803                                 |             | 323,803   |
| COST OF SERVICES                     | (227,950)                               | 32,061      | (195,889) |
| GROSS PROFIT                         | 95,853                                  | 32,061      | 127,914   |
| General and administrative expenses  | (13,649)                                |             | (13,649)  |
| Other income                         | 9,791                                   | (2,420)     | 7,371     |
| Other expenses                       | (203)                                   |             | (203)     |
| OPERATING PROFIT                     | 91,792                                  | 29,641      | 121,433   |
| Financial income                     | 6,257                                   |             | 6,257     |
| Financial expenses                   | (62,874)                                |             | (62,874)  |
| Foreign exchange variation loss, net | (410)                                   |             | (410)     |
| FINANCIAL EXPENSES, NET              | (57,027)                                |             | (57,027)  |
| Share of results of investments      | 1,462                                   |             | 1,462     |
| PROFIT BEFORE TAXES                  | 36,277                                  | 29,641      | 65,868    |
| Taxes                                | 5,027                                   |             | 5,027     |
| PROFIT FOR THE PERIOD                | 41,254                                  | 29,641      | 70,895    |
| Profit attributable to:              |   |             |           |
| Owners of the Group                  | 39,150                                  | 26,926      | 66,076    |
| Non-controlling interests            | 2,104                                   | 2,715       | 4,819     |

c) Consolidated statement of cash flows

|   | Six-month period<br>ended June 30, 2018 |             |          |
|---|---|-------------|----------|
|   | Previously<br>reported                  | Restatement | Restated |
| CASH FLOWS FROM OPERATING ACTIVITIES  |   |             |          |
| Profit for the period   | 41,254                                  | 29,641      | 70,895   |
| Adjustments to reconcile profit for the period<br>to net cash provided by operating activities: |   |             |          |
| Depreciation of property, plant and equipment   | 117,139                                 | (32,062)    | 85,077   |
| Loss (gain) on sales of property, plant and equipment,<br>net                                   | (17)                                    |             | (17)     |
| Share of results of investments   | (1,462)                                 |             | (1,462)  |
| Recognition of deferred mobilization costs  | 5,359                                   |             | 5,359    |
| Recognition of deferred revenues, net of taxes levied   | (24,622)                                |             | (24,622) |
| Financial expenses on loans and financings  | 59,864                                  |             | 59,864   |
| Financial income from related parties, net  | (3,827)                                 |             | (3,827)  |
| Fair value loss on derivatives  | 512                                     |             | 512      |
| Reversal of accrual for onerous contract  | (6,501)                                 | 2,420       | (4,081)  |
| Other financial expenses (income), net  | 478                                     |             | 478      |
| Taxes   | (5,027)                                 |             | (5,027)  |
| Decrease/(increase) in assets:  |   |             |          |
| Short-term investments  | 9,065                                   |             | 9,065    |
| Trade and other receivables   | (30,227)                                |             | (30,227) |
| Receivables from related parties  | 137                                     |             | 137      |
| Inventories   | (3,743)                                 |             | (3,743)  |
| Recoverable taxes   | (2,191)                                 |             | (2,191)  |
| Deferred taxes  | (314)                                   |             | (314)    |
| Deferred mobilization costs   | (710)                                   |             | (710)    |
| Other assets  | (7,206)                                 |             | (7,206)  |
| Increase/(decrease) in liabilities:   |   |             |          |
| Payroll and related charges   | (789)                                   |             | (789)    |
| Trade and other payables  | (10,150)                                |             | (10,150) |

|  |           |   |           |
|--|-----------|---|-----------|
| Taxes payables   | 1,143     |   | 1,143     |
| Deferred revenues  | 10,952    |   | 10,952    |
| Provisions   | (3,179)   |   | (3,179)   |
| Other liabilities  | (2,309)   |   | (2,309)   |
| Cash provided by operating activities  | 143,629   |   | 141,375   |
| Income tax and social contribution paid  | (2,864)   |   | (2,864)   |
| Net cash provided by operating activities  | 140,765   | - | 138,511   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |           |   |           |
| Capital decrease in investments  | 3,108     |   | 3,108     |
| Acquisition of property, plant and equipment                                       | (23,523)  |   | (23,523)  |
| Proceeds from sales of property, plant and equipment                               | 18        |   | 18        |
| Net cash used in investing activities  | (20,397)  | - | (20,397)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |           |   |           |
| Interest paid on loans and financings  | (53,982)  |   | (53,982)  |
| Cash payments on derivatives   | (1,828)   |   | (1,828)   |
| Restricted cash  | 8,232     |   | 8,232     |
| Repayment of principal on loans and financings                                     | (117,062) |   | (117,062) |
| Net cash used in financing activities  | (164,640) | - | (164,640) |
| Increase/(decrease) in cash and cash equivalents                                   | (44,272)  | - | (44,272)  |
| Cash and cash equivalents at the beginning of the period                           | 216,263   |   | 216,263   |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | 401       |   | 401       |
| Cash and cash equivalents at the end of the period                                 | 172,392   | - | 172,392   |

### Continuity as a going concern

The Company's amended and restated unaudited condensed consolidated interim 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 disclosed in Note 1.

## 2.1. Application of new and revised International Financial Reporting Standards (IFRS)

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

The Group has applied a number of amendments to standards issued by the International Accounting Standards Board (IASB), which are mandatorily effective for an accounting period that begins on or after January 1, 2018. The following amendments have been applied by the Group, but had no significant impact on its amended and restated unaudited condensed consolidated interim financial statements:

| Standard            | Description   |
|---------------------|---|
| IFRS 9              | Financial Instruments   |
| IFRS 15             | Revenue from Contracts with Customers / Clarifications                    |
| IFRIC 22            | Foreign Currency Transactions and Advance Consideration                   |
| IFRS 1 (Amendments) | Annual Improvements to IFRS Standards 2014–2016 Cycle                     |
| IFRS 2 (Amendments) | Classification and Measurement of Share-based Payment Transactions        |
| IFRS 4 (Amendments) | Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' |
| IAS 28 (Amendments) | Annual Improvements to IFRS Standards 2014–2016 Cycle                     |
| IAS 40 (Amendments) | Transfers of Investment Property  |

## 2.1.2. 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, 2019, 2020 and 2021.

### New or revised standards and interpretations

| Standard or interpretation                             | Description   | Effective date  |
|--|---|-----------------|
| IFRS 16 <i>Leases</i>                                  | 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 <i>Uncertainty over Income Tax Treatments</i> | 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: <ul style="list-style-type: none"> <li>✓ Whether tax treatments should be considered collectively;</li> <li>✓ Assumptions for taxation authorities' examinations;</li> <li>✓ The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;</li> <li>✓ The effect of changes in facts and circumstances.</li> </ul> | January 1, 2019 |
| IFRS 17 <i>Insurance Contracts</i>                     |   | January 1, 2021 |

### Amendments to IFRSs

| Standard  | Description   | Effective date  |
|---|---|-----------------|
| 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: <ul style="list-style-type: none"> <li>✓ 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;</li> <li>✓ IAS 12 - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits)</li> </ul> | January 1, 2019 |

|  |  |   |
|--|--|---|
|  | <p>should be recognized in profit or loss, regardless of how the tax arises;</p> <ul style="list-style-type: none"> <li>✓ 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.</li> </ul>   |   |
| Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)       | <p>The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:</p> <ul style="list-style-type: none"> <li>✓ If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.</li> <li>✓ In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.</li> </ul>   | January 1, 2019   |
| Amendments to References to the Conceptual Framework in IFRS Standards | <p>Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.</p> | January 1, 2020   |
| Editorial Corrections (various)  | <p>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, December 2016, September 2017, and November 2017</p>  | As minor editorial corrections, these changes are effectively immediately applicable under IFRS |

The Group's management is currently conducting an analysis on the impacts, if any, arising from the adoption of these new or revised and amended IFRSs on its amended and restated unaudited condensed consolidated interim financial information. Based on the analysis carried out so far, the Group does not expect that there will be any significant impacts on its consolidated financial statements upon the adoption of these new or revised and amended IFRSs.

## 3 CASH AND CASH EQUIVALENTS

|                              | June 30,<br>2018 | December 31,<br>2017 |
|------------------------------|------------------|----------------------|
| Cash and bank deposits       | 96,300           | 82,347               |
| Time deposits <sup>(a)</sup> | <u>76,092</u>    | <u>133,916</u>       |
| Total                        | <u>172,392</u>   | <u>216,263</u>       |

a) Time deposits are comprised as follows:

| Financial institution | Currency       | Average<br>interest rate<br>(per annum) | June 30,<br>2018 | December 31,<br>2017 |
|-----------------------|----------------|---|------------------|----------------------|
| Itaú BBA Nassau       | U.S. dollar    | 1.03%                                   | 17,285           | 59,700               |
| Citibank              | U.S. dollar    | 0.66%                                   | 54,660           | 62,818               |
| Bradesco S.A.         | Brazilian real | 0.30%                                   | 310              | 5,278                |
| HSBC                  | U.S. dollar    | 1.00%                                   | 474              | 6,120                |
| Banco do Brasil       | Brazilian real | 0.84%                                   | <u>3,363</u>     | -                    |
| Total                 |                |   | <u>76,092</u>    | <u>133,916</u>       |

## 4 SHORT-TERM INVESTMENTS

| Short-term<br>investments              | Financial<br>institution | Currency          | Average<br>interest rate<br>(per annum) | June 30,<br>2018 | December 31,<br>2017 |
|--|--------------------------|-------------------|---|------------------|----------------------|
| Time deposits <sup>(i)</sup>           | Lafise                   | U.S.<br>dollar    | 2.75%                                   | 47               | 47                   |
| Repurchase agreements <sup>(iii)</sup> | Bradesco S.A.            | Brazilian<br>real | 98.50% of CDI <sup>(ii)</sup>           | 48               | 13,453               |
| Repurchase agreements <sup>(iii)</sup> | Banco do<br>Brasil       | Brazilian<br>real | 97.00% of CDI <sup>(ii)</sup>           | <u>3,437</u>     | -                    |
| Total                                  |                          |                   |   | <u>3,532</u>     | <u>13,500</u>        |

(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 six-month period ended June 30, 2018 was 6.56% p.a. (10.07% during the year ended December 31, 2017).

(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 than twelve months).

## 5 RESTRICTED CASH

Under certain of the Group's project finance arrangements (Note 11), 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 11); and (ii) cash collateral related to Bid/Performance Bonds.

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

| Financial institution | Financial institution | Average interest rate (per annum) | June 30, 2018 | December 31, 2017 |
|-----------------------|-----------------------|-----------------------------------|---------------|-------------------|
| Time deposits         | Citibank N.A.         | 0.24%                             | 1,416         | 9,902             |
| Time deposits         | HSBC                  | 1.00%                             | 24,188        | 24,034            |
| Bank deposits         | HSBC                  | -                                 | 5,099         | 4,999             |
| Bank deposits         | Citibank N.A.         | -                                 | <u>100</u>    | <u>100</u>        |
| Total                 |                       |                                   | <u>30,803</u> | <u>39,035</u>     |

## 6 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 21.b.

## 7 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 unaudited combined consolidated interim statement of operations are accounted for as Cost of Services in the sub-account "Materials" (Note 17). On June 30, 2018, due to an expected period of lower drilling rigs and drillships utilization, the Group reclassified the amount of US\$148,440 to non-current assets, since such materials are not expected to be consumed within a one-year period (US\$143,231 as of December 31, 2017).

## 8 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 June 30, 2018 and December 31, 2017, and transactions for the six-month periods ended June 30, 2018 and 2017 are as follows:

|   | June 30, 2018  |                | December 31, 2017 |                | Three-month period ended June 30, |                       | Six-month period ended June 30, |                       |
|---|----------------|----------------|-------------------|----------------|-----------------------------------|-----------------------|---------------------------------|-----------------------|
|   | Assets         | Liabilities    | Assets            | Liabilities    | 2018                              | 2017                  | 2018                            | 2017                  |
|   |                |                |                   |                | Income/<br>(expenses)             | Income/<br>(expenses) | Income/<br>(expenses)           | Income/<br>(expenses) |
| Alperton Capital Ltd. <sup>(a)</sup>                    | 417,215        | 376,944        | 381,125           | 345,042        | 2,117                             | 1,953                 | 4,188                           | 3,816                 |
| Queiroz Galvão S.A. <sup>(b)</sup>                      | -              | 1,801          | -                 | 1,428          | (69)                              | (369)                 | (373)                           | (747)                 |
| FPSO Capixaba Venture S.A. <sup>(c)</sup>               | 941            | -              | 929               | -              | 7                                 | (4)                   | 12                              | -                     |
| Tupi Nordeste Operações Marítimas Ltda. <sup>(d)</sup>  | 304            | -              | 366               | -              | 322                               | 426                   | 716                             | 827                   |
| Guará Norte Operações Marítimas Ltda. <sup>(d)</sup>    | 230            | -              | 198               | -              | 240                               | 340                   | 528                             | 641                   |
| Alfa Lula Alto Operações Marítimas Ltda. <sup>(d)</sup> | 245            | -              | 191               | -              | 255                               | 316                   | 516                             | 613                   |
| Guará Norte Holding Ltd. <sup>(e)</sup>                 | 42             | -              | 125               | -              | 125                               | 125                   | 250                             | 250                   |
| Alfa Lula Alto Holding Ltd. <sup>(e)</sup>              | 100            | -              | 150               | -              | 150                               | 150                   | 300                             | 300                   |
| Beta Lula Central Holding Ltd. <sup>(e)</sup>           | -              | -              | 250               | -              | 150                               | 150                   | 300                             | 300                   |
| Others  | 166            | -              | 194               | -              | 4                                 | 5                     | 9                               | 16                    |
| Total   | <u>419,243</u> | <u>378,745</u> | <u>383,528</u>    | <u>346,470</u> | <u>3,301</u>                      | <u>3,092</u>          | <u>6,446</u>                    | <u>6,016</u>          |
| Current   | 1,004          | 1,801          | 1,377             | 1,428          |                                   |                       |                                 |                       |
| Non-current   | 418,239        | 376,944        | 382,151           | 345,042        |                                   |                       |                                 |                       |



- (a) In 2010, the Group and Alperon Capital Ltd. (“Alperon”) 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 Alperon.

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

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

The income for the six-month periods ended June 30, 2018 and 2017, in the amounts of US\$4,188 and US\$3,816, respectively, is presented net of expenses. The income for the six-month period ended June 30, 2018 and 2017, in the amounts of US\$25,385 and US\$19,508, respectively, refer to interest charged on the receivables by Constellation Overseas from Alperon; while the expenses for the six-month period ended June 30, 2018 and 2017, in the amounts of US\$21,197 and US\$15,692, respectively, refer to interest charged on the payables due by Amaralina and Laguna to Alperon (Note 19 – Financial income from related parties).

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

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

Any cash available in Amaralina and Laguna for dividends payment will be used to repay the intercompany loans to Alperon. Amaralina and Laguna may not pay any dividends or other payables to Alperon, 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 Alperon 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

six-month period ended June 30, 2018 and 2017, the net fees charged to Alperion totaled US\$4,188 and US\$3,816, respectively.

Non-compliance with the agreements between the Group and Alperion could result in penalties to either parties. As of June 30, 2018, the Group was compliant with the requirements of the respective agreements.

As disclosed in Note 25, the Group, through its subsidiary Constellation Overseas, has entered into an arbitration process against Alperion.

- (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) As of June 30, 2018 and December 31, 2017, the receivable amounts and the income from Tupi Nordeste Operações Marítimas Ltda., Guar 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 Maric, respectively.
- (e) As of June 30, 2018, and December 31, 2017 the receivable amount and the income from Guar 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 Maric and FPSO Cidade de Saquarema, respectively.

Key management personnel <sup>(i)</sup> remuneration for the six-month period ended June 30, 2018 and 2017, is as follows:

|                                     | Three-month period<br>ended June 30, |             | Six-month period<br>ended June 30, |             |
|-------------------------------------|--------------------------------------|-------------|------------------------------------|-------------|
|                                     | <u>2018</u>                          | <u>2017</u> | <u>2018</u>                        | <u>2017</u> |
| Short-term benefits <sup>(ii)</sup> | 1,002                                | 1,678       | 2,296                              | 3,231       |

(i) Key management is defined as the statutory officers and directors of the Group. For the three and six-month periods ended June 30, 2018, the Group did not record profit sharing contribution.

(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).

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 23).

## 9 INVESTMENTS

June 30, 2018

|   | Number<br>of shares<br>(thousands) | Ownership<br>interest (%) | Authorized<br>share<br>capital | Current<br>assets | Non-current<br>assets | Current<br>liabilities | Non-current<br>liabilities | Shareholders'<br>equity<br>(deficiency) |
|---|------------------------------------|---------------------------|--------------------------------|-------------------|-----------------------|------------------------|----------------------------|---|
| <u>Associates:</u>                            |                                    |                           |                                |                   |                       |                        |                            |   |
| FPSO Capixaba Venture S.A.                    | 100                                | 20.00%                    | 82                             | 37,692            | 68,275                | 62,297                 | 144,375                    | (100,705)                               |
| SBM Espírito do Mar Inc.                      | 100                                | 20.00%                    | 88                             | 3,782             | 176,817               | 34,708                 | 45,101                     | 100,790                                 |
| Urca Drilling B.V. <sup>(3)</sup>             | 90                                 | 15.00%                    | €90k                           | 104               | 22,006                | 498,126                | 249,518                    | (725,534)                               |
| Bracuhy Drilling B.V. <sup>(3)</sup>          | 90                                 | 15.00%                    | €90k                           | 1,452             | 9,002                 | 202,830                | 273,713                    | (466,089)                               |
| Mangaratiba Drilling B.V. <sup>(3)</sup>      | 90                                 | 15.00%                    | €90k                           | 9                 | 1                     | 44,370                 | 107,552                    | (151,912)                               |
| <u>Joint Ventures:</u>                        |                                    |                           |                                |                   |                       |                        |                            |   |
| Tupi Nordeste S.à.r.l.                        | 16,020                             | 20.00%                    | 16,020                         | 1,245,434         | (43,015)              | 613,275                | -                          | 589,144                                 |
| Tupi Nordeste Holding Ltd.                    | 12                                 | 20.00%                    | 12                             | 26,482            | -                     | 63,006                 | -                          | (36,524)                                |
| Guará Norte S.à.r.l. <sup>(4)</sup>           | 50,020                             | 12.75%                    | 50,020                         | 1,624,704         | -                     | 872,104                | -                          | 752,600                                 |
| Guará Norte Holding Ltd. <sup>(4)</sup>       | 12                                 | 12.75%                    | 12                             | 13,050            | -                     | 25,591                 | -                          | (12,541)                                |
| Alfa Lula Alto S.à.r.l. <sup>(4)</sup>        | 65,020                             | 5.00%                     | 65,020                         | 1,738,059         | -                     | 1,302,886              | -                          | 435,173                                 |
| Alfa Lula Alto Holding Ltd. <sup>(4)</sup>    | 5                                  | 5.00%                     | 12                             | 9,285             | -                     | 12,600                 | -                          | (3,315)                                 |
| Beta Lula Central S.à.r.l. <sup>(4)</sup>     | 65,020                             | 5.00%                     | 65,020                         | 1,705,157         | -                     | 1,323,834              | -                          | 381,323                                 |
| Beta Lula Central Holding Ltd. <sup>(4)</sup> | 5                                  | 5.00%                     | 12                             | 4,003             | -                     | 8,263                  | -                          | (4,260)                                 |

December 31, 2017

|   | Number<br>of shares<br>(thousands) | Ownership<br>interest (%) | Authorized<br>share<br>capital | Current<br>assets | Non-current<br>assets | Current<br>liabilities | Non-current<br>liabilities | Shareholders'<br>equity<br>(deficiency) |
|---|------------------------------------|---------------------------|--------------------------------|-------------------|-----------------------|------------------------|----------------------------|---|
| <u>Associates:</u>                            |                                    |                           |                                |                   |                       |                        |                            |   |
| 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. <sup>(3)</sup>             | 90                                 | 15.00%                    | €90k                           | 124               | 22,006                | 503,037                | 245,176                    | (726,083)                               |
| Bracuhy Drilling B.V. <sup>(3)</sup>          | 90                                 | 15.00%                    | €90k                           | 1,463             | 9,535                 | 203,779                | 267,064                    | (459,845)                               |
| Mangaratiba Drilling B.V. <sup>(3)</sup>      | 90                                 | 15.00%                    | €90k                           | 11                | 1                     | 44,826                 | 104,957                    | (149,771)                               |
| <u>Joint Ventures:</u>                        |                                    |                           |                                |                   |                       |                        |                            |   |
| 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. <sup>(4)</sup>           | 50,020                             | 12.75%                    | 50,020                         | 1,659,494         | -                     | 944,155                | -                          | 715,339                                 |
| Guará Norte Holding Ltd. <sup>(4)</sup>       | 12                                 | 12.75%                    | 12                             | 31,590            | -                     | 34,349                 | -                          | (2,759)                                 |
| Alfa Lula Alto S.à.r.l. <sup>(4)(6)</sup>     | 65,020                             | 5.00%                     | 65,020                         | 116,808           | 1,638,804             | 124,809                | 1,256,883                  | 373,920                                 |
| Alfa Lula Alto Holding Ltd. <sup>(4)</sup>    | 5                                  | 5.00%                     | 12                             | 14,134            | -                     | 17,048                 | -                          | (2,914)                                 |
| Beta Lula Central S.à.r.l. <sup>(4)(7)</sup>  | 65,020                             | 5.00%                     | 65,020                         | 79,335            | 1,626,113             | 90,001                 | 1,293,963                  | 321,484                                 |
| Beta Lula Central Holding Ltd. <sup>(4)</sup> | 5                                  | 5.00%                     | 12                             | 11,727            | 244                   | 6,220                  | 868                        | 4,883                                   |

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

|   | Investees' comprehensive income/(loss)<br>for the three-month period ended June 30, |   |   |                      |   |   |
|---|---|---|---|----------------------|---|---|
|   | 2018  |   |   | 2017                 |   |   |
|   | Net<br>income (loss)  | Other<br>comprehensive<br>income (loss) | Total<br>comprehensive<br>income (loss) | Net<br>income (loss) | Other<br>comprehensive<br>income (loss) | Total<br>comprehensive<br>income (loss) |
| <u>Associates:</u>                            |   |   |   |                      |   |   |
| FPSO Capixaba Venture S.A.                    | (2,184)   | 3,993                                   | 1,809                                   | 1,757                | 1,479                                   | 3,236                                   |
| SBM Espírito do Mar Inc.                      | 929   | -                                       | 929                                     | 1,003                | -                                       | 1,003                                   |
| Urca Drilling B.V. <sup>(3)</sup>             | 11,830  | -                                       | 11,830                                  | (7,471)              | -                                       | (7,471)                                 |
| Bracuhy Drilling B.V. <sup>(3)</sup>          | (2,055)   | -                                       | (2,055)                                 | (6,025)              | -                                       | (6,025)                                 |
| Mangaratiba Drilling B.V. <sup>(3)</sup>      | (1,308)   | -                                       | (1,308)                                 | (1,596)              | -                                       | (1,596)                                 |
| <u>Joint Ventures:</u>                        |   |   |   |                      |   |   |
| Tupi Nordeste S.à.r.l.                        | 13,643  | 3,997                                   | 17,640                                  | 30,685               | (595)                                   | 30,090                                  |
| Tupi Nordeste Holding Ltd.                    | 15,896  | 1,831                                   | 17,727                                  | (156)                | 1,455                                   | 1,299                                   |
| Guará Norte S.à.r.l. <sup>(4)</sup>           | 15,976  | 3,749                                   | 19,725                                  | 16,625               | (4,300)                                 | 12,325                                  |
| Guará Norte Holding Ltd. <sup>(4)</sup>       | 361   | 844                                     | 1,205                                   | 1,261                | 641                                     | 1,902                                   |
| Alfa Lula Alto S.à.r.l. <sup>(4)</sup>        | 13,203  | 11,150                                  | 24,353                                  | 12,994               | (4,553)                                 | 8,441                                   |
| Alfa Lula Alto Holding Ltd. <sup>(4)</sup>    | (4,465)   | 190                                     | (4,275)                                 | 3,737                | 139                                     | 3,876                                   |
| Beta Lula Central S.à.r.l. <sup>(4)</sup>     | 14,067  | 11,371                                  | 25,438                                  | 13,034               | (11,375)                                | 1,659                                   |
| Beta Lula Central Holding Ltd. <sup>(4)</sup> | (7,605)   | (28)                                    | (7,633)                                 | (1,709)              | 60                                      | (1,649)                                 |

|   | Investees' comprehensive income/(loss)<br>for the six-month period ended June 30, |   |   |                      |   |   |
|---|---|---|---|----------------------|---|---|
|   | 2018  |   |   | 2017                 |   |   |
|   | Net<br>income (loss)  | Other<br>comprehensive<br>income (loss) | Total<br>comprehensive<br>income (loss) | Net<br>income (loss) | Other<br>comprehensive<br>income (loss) | Total<br>comprehensive<br>income (loss) |
| <u>Associates:</u>                            |   |   |   |                      |   |   |
| FPSO Capixaba Venture S.A.                    | (26,341)  | 4,005                                   | (22,336)                                | (10,271)             | 660                                     | (9,611)                                 |
| SBM Espírito do Mar Inc.                      | (8,422)   | -                                       | (8,422)                                 | 2,662                | -                                       | 2,662                                   |
| Urca Drilling B.V. <sup>(3)</sup>             | 549   | -                                       | 549                                     | (26,153)             | -                                       | (26,153)                                |
| Bracuhy Drilling B.V. <sup>(3)</sup>          | (6,244)   | -                                       | (6,244)                                 | (13,449)             | -                                       | (13,449)                                |
| Mangaratiba Drilling B.V. <sup>(3)</sup>      | (2,141)   | -                                       | (2,141)                                 | (3,348)              | -                                       | (3,348)                                 |
| <u>Joint Ventures:</u>                        |   |   |   |                      |   |   |
| Tupi Nordeste S.à.r.l.                        | 28,464  | 12,368                                  | 40,832                                  | 7,024                | 2,855                                   | 9,879                                   |
| Tupi Nordeste Holding Ltd.                    | (16,730)  | 2,050                                   | (14,680)                                | 27,525               | 604                                     | 28,129                                  |
| Guará Norte S.à.r.l. <sup>(4)</sup>           | 34,105  | 16,157                                  | 50,262                                  | (2,306)              | (1,916)                                 | (4,222)                                 |
| Guará Norte Holding Ltd. <sup>(4)</sup>       | (10,721)  | 948                                     | (9,773)                                 | 30,996               | 295                                     | 31,291                                  |
| Alfa Lula Alto S.à.r.l. <sup>(4)</sup>        | 40,113  | 36,161                                  | 76,274                                  | 53,927               | (13)                                    | 53,914                                  |
| Alfa Lula Alto Holding Ltd. <sup>(4)</sup>    | 2,140   | (2,516)                                 | (376)                                   | (247)                | (39)                                    | (286)                                   |
| Beta Lula Central S.à.r.l. <sup>(4)</sup>     | 28,565  | 41,274                                  | 69,839                                  | 27,180               | (7,787)                                 | 19,393                                  |
| Beta Lula Central Holding Ltd. <sup>(4)</sup> | (9,091)   | (79)                                    | (9,170)                                 | (3,258)              | 60                                      | (3,198)                                 |

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,<br>2017 | Capital<br>decrease <sup>(5)</sup> | Dividends<br>received | Share of<br>results | Share of<br>comprehensive<br>income/ (loss) | June 30,<br>2018 |
|---|----------------------|------------------------------------|-----------------------|---------------------|---|------------------|
| <u>Associates:</u>  |                      |                                    |                       |                     |   |                  |
| FPSO Capixaba Venture S.A.  | (15,674)             | -                                  | -                     | (5,268)             | 801   | (20,141)         |
| SBM Espírito do Mar Inc.  | 21,842               | -                                  | -                     | (1,684)             | -   | 20,158           |
| <u>Joint ventures:</u>  |                      |                                    |                       |                     |   |                  |
| Tupi Nordeste S.à.r.l.  | 109,862              | (200)                              | -                     | 5,693               | 2,474                                       | 117,829          |
| Tupi Nordeste Holding Ltd.  | (4,369)              | -                                  | -                     | (3,346)             | 410   | (7,305)          |
| Guará Norte S.à.r.l. <sup>(4)</sup>                                   | 91,206               | (1,658)                            | -                     | 4,348               | 2,060                                       | 95,956           |
| Guará Norte Holding Ltd. <sup>(4)</sup>                               | (353)                | -                                  | -                     | (1,367)             | 121   | (1,599)          |
| Alfa Lula Alto S.à.r.l. <sup>(4)</sup>                                | 18,695               | (750)                              | -                     | 2,006               | 1,808                                       | 21,759           |
| Alfa Lula Alto Holding Ltd. <sup>(4)</sup>                            | (147)                | -                                  | -                     | 107                 | (126)                                       | (166)            |
| Beta Lula Central S.à.r.l. <sup>(4)</sup>                             | 16,074               | (500)                              | -                     | 1,428               | 2,064                                       | 19,066           |
| Beta Lula Central Holding Ltd. <sup>(4)</sup>                         | 245                  | -                                  | -                     | (455)               | (4)   | (214)            |
| Total   | <u>237,381</u>       | <u>(3,108)</u>                     | =                     | <u>1,462</u>        | <u>9,608</u>                                | <u>245,343</u>   |
| Total assets (investments)  | 257,923              |                                    |                       |                     |   | 274,769          |
| Total liabilities (accumulated deficit in investments) <sup>(1)</sup> | (20,542)             |                                    |                       |                     |   | (29,426)         |

|   | December<br>31, 2016 | Capital<br>decrease <sup>(5)</sup> | Dividends<br>received <sup>(7)</sup> | Share of<br>results | Share of<br>comprehensive<br>income (loss) | June 30,<br>2017 |
|---|----------------------|------------------------------------|--------------------------------------|---------------------|--|------------------|
| <u>Associates</u>   |                      |                                    |                                      |                     |  |                  |
| FPSO Capixaba Venture S.A.  | (20,995)             | -                                  | -                                    | (2,054)             | 132  | (22,917)         |
| SBM Espírito do Mar Inc.  | 38,383               | -                                  | (6,600)                              | 532                 | -  | 32,315           |
| Urca Drilling B.V. <sup>(3)</sup>                                     | -                    | -                                  | -                                    | -                   | -  | -                |
| Bracuhy Drilling B.V. <sup>(3)</sup>                                  | -                    | -                                  | -                                    | -                   | -  | -                |
| Mangaratiba Drilling B.V. <sup>(3)</sup>                              | -                    | -                                  | -                                    | -                   | -  | -                |
| <u>Joint ventures</u>   |                      |                                    |                                      |                     |  |                  |
| Tupi Nordeste S.à.r.l.  | 101,232              | -                                  | -                                    | 1,405               | 571  | 103,208          |
| Tupi Nordeste Holding Ltd.  | (8,972)              | -                                  | -                                    | 5,505               | 121  | (3,346)          |
| Guará Norte S.à.r.l. <sup>(4)</sup>                                   | 84,152               | -                                  | -                                    | (294)               | (244)                                      | 83,614           |
| Guará Norte Holding Ltd. <sup>(4)</sup>                               | (3,050)              | -                                  | -                                    | 3,952               | 38   | 940              |
| Alfa Lula Alto S.à.r.l. <sup>(4)</sup>                                | 15,525               | (850)                              | -                                    | 2,696               | -  | 17,371           |
| Alfa Lula Alto Holding Ltd. <sup>(4)</sup>                            | (508)                | -                                  | -                                    | (12)                | (2)  | (522)            |
| Beta Lula Central S.à.r.l. <sup>(4)</sup>                             | 13,976               | (225)                              | -                                    | 1,359               | (389)                                      | 14,721           |
| Beta Lula Central Holding Ltd. <sup>(4)</sup>                         | (50)                 | -                                  | -                                    | (163)               | 3  | (210)            |
| Total   | <u>219,693</u>       | <u>(1,075)</u>                     | <u>(6,600)</u>                       | <u>12,926</u>       | <u>230</u>                                 | <u>225,174</u>   |
| Total assets (investments)  | 253,268              |                                    |                                      |                     |  | 252,169          |
| Total liabilities (accumulated deficit in investments) <sup>(1)</sup> | (33,575)             |                                    |                                      |                     |  | (26,995)         |

- (1) The liability to fund the deficit in FPSO Capixaba Venture S.A., Tupi Nordeste Holding Ltd. and Alfa Lula Alto 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 January 2018, April 2018, and June 2018, the Group received the amount of US\$1,148, US\$255, and US\$255 from Guara Norte S.à.r.l. In March 2018 and June 2018, the Group received the amounts of US\$300 and US\$200 from Beta Lula S.à.r.l. In March 2018, the Group received the amounts of US\$200 from Tupi Nordeste S.à.r.l, and in April 2018 the grupo received the amounts of US\$750 from Alfa Lula Alto S.à.r.l., respectively.

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

#### 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. Such transfer of shares has not occurred to date and on March 23, 2016, Angra called a binding arbitration in order to settle this issue, which is still in progress.

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 unaudited interim financial statements of Urca, Bracuhy and Mangaratiba for the six-month periods ended June 30, 2018 and 2017 and the audited financial statements for the year ended December 31, 2017 and 2016 have not been issued to date.

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

- ✓ Guar 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.
- ✓ Guar 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, Guar Norte Operações Marítimas Ltda., which operates the FPSO Cidade de Ilhabela to Petrobras until 2034.

#### FPSO Cidade de Maric

- ✓ Alfa Lula Alto S.à.r.l. owns the FPSO Cidade de Maric, 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 Maric 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

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., Guarà Norte S.à.r.l., Guarà 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 Chamber” - *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 it 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 Improbability 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 Improbability 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 Improbability 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.

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 Improbability 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 Improbability 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 Improbability 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.

Under the Agreement, the MPF commits to refrain from initiating new legal proceedings against SBM Offshore under the Improbability 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.

## 10 PROPERTY, PLANT AND EQUIPMENT

|  | Drillships       |                  |                  |                  | Offshore drilling rigs |                  |                  |                  | Onshore drilling rigs, equipment and bases<br>(b) | Corporate       | Total              |
|--|------------------|------------------|------------------|------------------|------------------------|------------------|------------------|------------------|---|-----------------|--------------------|
|  | Brava Star       | Amaralina Star   | Laguna Star      | Atlantic Star    | Alpha Star             | Gold Star        | Lone Star        | Olinda Star      |   |                 |                    |
| <b>Cost</b>  |                  |                  |                  |                  |                        |                  |                  |                  |   |                 |                    |
| Balance as of 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  | 2,765            | 10,751           | 9,737            | 575              | 1,648                  | 689              | 1,897            | 804              | 2,842   | 351             | 32,059             |
| Disposals  | -                | -                | -                | -                | -                      | -                | -                | -                | -   | (91)            | (91)               |
| Currency translation adjustments                         | -                | -                | -                | -                | -                      | -                | -                | -                | (1,301)   | (692)           | (1,993)            |
| Balance as of June 30, 2017                              | <u>698,631</u>   | <u>672,074</u>   | <u>671,903</u>   | <u>351,862</u>   | <u>743,922</u>         | <u>590,748</u>   | <u>711,945</u>   | <u>561,982</u>   | <u>164,195</u>                                    | <u>26,787</u>   | <u>5,194,049</u>   |
| Balance as of 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          |
| Additions  | 839              | 5,703            | 14,287           | 189              | -                      | 171              | 225              | 1,666            | -   | 443             | 23,523             |
| Disposals  | -                | -                | -                | -                | -                      | -                | -                | (87)             | -   | (86)            | (173)              |
| Transfer   | -                | -                | 1,464            | -                | -                      | -                | -                | -                | (1,464)   | -               | -                  |
| Currency translation adjustments                         | -                | -                | -                | -                | -                      | -                | -                | -                | (10,012)  | (3,077)         | (13,089)           |
| Balance as of June 30, 2018                              | <u>699,596</u>   | <u>698,266</u>   | <u>692,972</u>   | <u>352,502</u>   | <u>744,143</u>         | <u>591,435</u>   | <u>714,953</u>   | <u>580,100</u>   | <u>153,820</u>                                    | <u>24,295</u>   | <u>5,252,082</u>   |
| <b>Accumulated depreciation and impairment</b>           |                  |                  |                  |                  |                        |                  |                  |                  |   |                 |                    |
| Balance as of 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   | (15,937)         | (13,996)         | (13,758)         | (7,672)          | (14,475)               | (13,989)         | (17,973)         | (12,329)         | (4,094)   | (571)           | (114,794)          |
| Disposals  | -                | -                | -                | -                | -                      | -                | -                | -                | -   | 88              | 88                 |
| Currency translation adjustments                         | -                | -                | -                | -                | -                      | -                | -                | -                | 1,083   | 619             | 1,702              |
| Balance as of June 30, 2017                              | <u>(57,814)</u>  | <u>(125,992)</u> | <u>(122,005)</u> | <u>(143,826)</u> | <u>(186,913)</u>       | <u>(173,163)</u> | <u>(185,087)</u> | <u>(233,079)</u> | <u>(105,119)</u>                                  | <u>(22,137)</u> | <u>(1,355,135)</u> |
| Balance as of December 31, 2017                          | (178,557)        | (269,463)        | (260,921)        | (151,502)        | (545,943)              | (408,664)        | (512,328)        | (408,521)        | (112,020)   | (22,622)        | (2,870,541)        |
| Depreciation   | (14,019)         | (14,562)         | (11,409)         | (7,540)          | (6,804)                | (8,068)          | (9,739)          | (9,279)          | (3,235)   | (422)           | (85,077)           |
| Disposals  | -                | -                | -                | -                | -                      | -                | -                | 87               | -   | 86              | 173                |
| Currency translation adjustments                         | -                | -                | -                | -                | -                      | -                | -                | -                | 7,026   | 2,423           | 9,449              |
| Balance as of June 30, 2018                              | <u>(192,576)</u> | <u>(284,025)</u> | <u>(272,330)</u> | <u>(159,042)</u> | <u>(552,747)</u>       | <u>(416,732)</u> | <u>(522,067)</u> | <u>(417,713)</u> | <u>(108,229)</u>                                  | <u>(20,535)</u> | <u>(2,945,996)</u> |
| <b>Property, plant and equipment, net <sup>(a)</sup></b> |                  |                  |                  |                  |                        |                  |                  |                  |   |                 |                    |
| December 31, 2017  | 520,200          | 423,100          | 416,300          | 200,811          | 198,200                | 182,600          | 202,400          | 170,000          | 53,276  | 4,393           | 2,371,280          |
| June 30, 2018  | 507,020          | 414,241          | 420,642          | 193,460          | 191,396                | 174,703          | 192,886          | 162,387          | 45,591  | 3,760           | 2,306,086          |
| 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 11.
- (b) As of June 30, 2018, the amount of US\$37,765 (US\$45,816 as of December 31, 2017) refers to the onshore drilling rigs.
- (c) Due to the conclusion of Laguna Star offshore drilling rig 5-year survey on April 27, 2018, the materials not used in Laguna's overhaul were transferred to inventories.

### Impairment

During the year ended December 31, 2017 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.

#### 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.

#### Offshore drilling rigs and drillships

The Group estimated the fair value of each one of its offshore drilling rigs 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, which utilized significant unobservable inputs. 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.

## 11 LOANS AND FINANCINGS

| Financial institution   | Funding type                              | Objective   | Beginning period | Maturity                | Contractual interest rate (per annum) | Effective interest rate (per annum)          | Currency    | December 31,     |                   |
|---|---|---|------------------|-------------------------|---------------------------------------|--|-------------|------------------|-------------------|
|   |   |   |                  |                         |                                       |  |             | June 30, 2018    | December 31, 2017 |
| 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 | 57,846           | 87,665            |
| 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 | 95,774           | 95,587            |
| 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 | <u>594,567</u>   | <u>591,436</u>    |
|   |   |   |                  |                         |                                       | Subtotal - fixed interest rate               |             | 748,187          | 774,688           |
| Bradesco  | Loan                                      | Working capital   | Sep/2014         | Jul/2018                | Libor+6.80%                           | 9.16%  | U.S. dollar | 101,654          | 101,338           |
| Bradesco  | Loan                                      | Working capital   | Jan/2015         | Jul/2018                | Libor+6.50%                           | 8.86%  | U.S. dollar | <u>50,800</u>    | <u>51,627</u>     |
|   |   |   |                  |                         |                                       | Subtotal - variable interest rate loans      |             | 152,454          | 152,965           |
| BNP, Citi and ING (leader arrangers) and The Norwegian Ministry of Trade and Industry ("MTI") | Financing                                 | Amaralina Star drillship construction <sup>(1)</sup>                        | May/2012         | Sep/2018 <sup>(2)</sup> | Libor+2.75%                           | 3.59%  | U.S. dollar | 146,367          | 176,791           |
| BNP, Citi and ING (leader arrangers) and The Norwegian Ministry of Trade and Industry ("MTI") | Financing                                 | Laguna Star drillship construction <sup>(1)</sup>                           | May/2012         | Nov/2018 <sup>(2)</sup> | Libor+2.75%                           | 3.50%  | U.S. dollar | 156,238          | 186,988           |
| BNP, Citi, ING and DNB and Eksportkreditt Norge ("EKN")                                       | Financing                                 | Brava Star drillship construction <sup>(2)</sup>                            | May/2015         | Sep/2020 <sup>(3)</sup> | Libor+2.00%                           | 3.97%  | U.S. dollar | <u>340,757</u>   | <u>363,751</u>    |
|   |   |   |                  |                         |                                       | Subtotal - variable interest rate financings |             | <u>643,362</u>   | <u>727,530</u>    |
|   |   |   |                  |                         |                                       | Total  |             | <u>1,544,003</u> | <u>1,655,183</u>  |
|   |   |   |                  |                         |                                       | Current                                      |             | 564,269          | 655,788           |
|   |   |   |                  |                         |                                       | Non-current                                  |             | 979,734          | 999,395           |

(1) 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.

(2) 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.

## a) Changes in loans and financings

|  | Six-month<br>period ended<br>June 30, |                  |
|--|---------------------------------------|------------------|
|  | <u>2018</u>                           | <u>2017</u>      |
| Balance as of January 1                          | 1,655,183                             | 2,195,689        |
| Principal repayment                              | (117,062)                             | (256,788)        |
| Interest payment                                 | <u>(53,982)</u>                       | <u>(52,412)</u>  |
| Total payments                                   | <u>(171,044)</u>                      | <u>(309,200)</u> |
| Interest charged through profit and loss         | 55,369                                | 51,224           |
| Transaction cost charged through profit and loss | 4,339                                 | 3,556            |
| Debt discounts charged through profit and loss   | <u>156</u>                            | <u>810</u>       |
| Financial expenses on loans and financings       | <u>59,864</u>                         | <u>55,590</u>    |
| Balance as of June 30,                           | <u>1,544,003</u>                      | <u>1,942,079</u> |

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.

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, 2018 to April 26, 2018, without changing the other terms of the second agreement.

On April 25, 2018, the Group signed a third amendment to the working capital credit loan agreements with Bradesco to postpone the next maturity date from April 26, 2018 to July 25, 2018, without changing the other terms of the second agreement.

Corporate Bond Exchange Offer

On July 27, 2017, the Company issued Senior Secured Notes (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 |
|--------------------------|--------------|-------------------|----------------|------------|
| 2019                     | 126,762      | (4,881)           | (67)           | 121,814    |
| 2020                     | 295,806      | (3,622)           | -              | 292,184    |
| 2021                     | 30,347       | (3,226)           | -              | 27,121     |
| 2022                     | 37,934       | (3,226)           | -              | 34,708     |
| 2023                     | 45,520       | (3,234)           | -              | 42,286     |
| 2024                     | 462,790      | (1,169)           | -              | 461,621    |
| Total                    | 999,159      | (19,358)          | (67)           | 979,734    |

## 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 June 30, 2018, the Group complied with such restrictive clauses.

The indenture governing the Corporate Bond as of June 30, 2018, 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 audited consolidated financial statements of the Company, Amaralina, Laguna and audited financial statements of Brava within 180 days after the end of the fiscal year. As of the issuance date of this amended and restated unaudited condensed consolidated interim financial statements the Group failed to comply with this non-financial covenant. 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.

#### 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.

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.

## 12 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.

|                                       | Six-month period<br>ended June 30, |              |
|---------------------------------------|------------------------------------|--------------|
|                                       | 2018                               | 2017         |
| Balance as of January 1               | 4,391                              | 1,230        |
| Olinda Star penalty reversal          | (3,179)                            | -            |
| Effect of foreign exchange variations | <u>(172)</u>                       | <u>(18)</u>  |
| Balance as of June 30                 | <u>1,040</u>                       | <u>1,212</u> |

## 13 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 June 30, 2018, 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:

|   | Six-month period<br>ended June 30, |              |
|---|------------------------------------|--------------|
|   | <u>2018</u>                        | <u>2017</u>  |
| Balance as of January 1                               | 1,223                              | 1,544        |
| Additions   | 215                                | 247          |
| Reversals   | (114)                              | (19)         |
| Foreign exchange rate variations                      | <u>(186)</u>                       | <u>(32)</u>  |
| Balance as of June 30                                 | <u>1,138</u>                       | <u>1,740</u> |
| 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 condensed consolidated interim financial statements and consist of labor lawsuits (mainly comprised by compensation due to work related accidents and occupational diseases) in the amount of US\$40,478 as of June 30, 2018 (US\$32,450 as of December 31, 2017), tax lawsuits in the amount of US\$28,685 as of June 30, 2018 (US\$32,620 as of December 31, 2017) and civil lawsuits in the amount of US\$13 as of June 30, 2018 (US\$15 as of December 31, 2017).

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 June 30, 2018, the estimated amount involved is US\$4,845 (US\$5,487 as of December 31, 2017).

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 June 30, 2018, the estimated amount involved is US\$22,183 (US\$25,252 as of December 31, 2017).

- 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.

## 14 DERIVATIVES

Under the terms of the project financing arrangements (Note 11), 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 June 30, 2018, 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.

### Information on derivative agreements

| Financial institution                             | Loans and financings objective | Payable leg interest rate (per annum) | Maturity            | Interest rate swaps US\$ LIBOR/Pre-fixed rate |                | Fair value     |               |
|---|--------------------------------|---------------------------------------|---------------------|---|----------------|----------------|---------------|
|   |                                |                                       |                     | Notional amount                               |                | Jun. 30, 2018  | Dec. 31, 2017 |
|   |                                |                                       |                     | Jun. 30, 2018                                 | Dec. 31, 2017  |                |               |
| BNP, Citibank and ING (joint leader arranger)     | Amaralina Star construction    | 2.81%                                 | Sep/2018            | 143,185                                       | 181,497        | 227            | 1,223         |
| BNP, Citibank and ING (joint leader arranger)     | Laguna Star construction       | 2.90%                                 | Nov/2018            | 141,885                                       | 193,240        | 409            | 1,594         |
| BNP, Citi, ING and DNB (mandated leader arranger) | Brava Star construction        | 1.79%                                 | Sep/2020            | 155,426                                       | 166,145        | (2,816)        | (1,124)       |
| BNP and ING (mandated leader arranger)            | Brava Star construction        | 1.84%                                 | Sep/2020            | <u>154,512</u>                                | <u>165,168</u> | <u>(2,656)</u> | <u>(920)</u>  |
|   | Designated to hedge accounting |                                       |                     | <u>595,008</u>                                | <u>706,050</u> | <u>(4,836)</u> | <u>773</u>    |
|   |                                |                                       | Total amount        | <u>595,008</u>                                | <u>706,050</u> | <u>(4,836)</u> | <u>773</u>    |
|   |                                |                                       | Current assets      |   |                | 2,469          | 106           |
|   |                                |                                       | Non-current assets  |   |                | 3,002          | 1,938         |
|   |                                |                                       | Current liabilities |   |                | 635            | 2,817         |

Changes in fair values are as follows:

|   | Six-month period ended |                |
|---|------------------------|----------------|
|   | 2018                   | 2017           |
| Balance as of January 1,  | 773                    | 15,691         |
| Fair value adjustments through profit and loss                                  | 512                    | 2,528          |
| Fair value adjustments through other comprehensive income/(loss) <sup>(*)</sup> | (4,293)                | (1,811)        |
| Cash payments on derivatives  | <u>(1,828)</u>         | <u>(7,986)</u> |
| Balance as of June 30,  | <u>(4,836)</u>         | <u>8,422</u>   |

Hedge accounting

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.

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 11) 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.

## 15 SHAREHOLDERS' EQUITY

## a) Share capital

As of June 30, 2018 and December 31, 2017, the Company's share capital amounts to US\$63,200, comprised by 189,227,364 ordinary shares, with no par value, as follows:

|                                     | June 30, 2018 and 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 | 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              | <u>186,808,445</u>                  | <u>100.00%</u> | <u>2,418,919</u>   | <u>100.00%</u> | <u>63,200</u>           | <u>766,561</u> | <u>829,761</u> |
| Total shares                        |                                     |                | <u>189,227,364</u> |                |                         |                |                |

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 six-month periods ended June 30, 2018 and 2017, the Company did not pay dividends.

## 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 14).

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 three-month period ended June 30, 2018 and 2017 are as follows:

|   | Cash flow hedge fair value adjustments<br>attributable to |                              |                | Share of<br>investments'<br>other<br>comprehensive<br>loss | Foreign<br>currency<br>translation<br>adjustments | Total           |
|---|---|------------------------------|----------------|--|---|-----------------|
|   | Owners of<br>the Group                                    | Non-controlling<br>interests | Total          |  |   |                 |
| Balance as of March 31, 2017                  | (2,006)   | (1,489)                      | (3,495)        | (11,141)   | (6,751)   | (21,387)        |
| Fair value adjustments on:                    |   |                              |                |  |   |                 |
| Derivative agreements                         | (684)   | 154                          | (530)          | -  | -   | (530)           |
| Joint ventures' derivative agreements         | -   | -                            | -              | (1,463)  | -   | (1,463)         |
| Associates' financial assets                  | -   | -                            | -              | -  | -   | -               |
| Exchange differences arising during the year: |   |                              |                |  |   |                 |
| On investments                                | -   | -                            | -              | 678  | -   | 678             |
| On subsidiaries                               | -   | -                            | -              | -  | (3,537)   | (3,537)         |
| Balance as of June 30, 2017                   | <u>(2,690)</u>  | <u>(1,335)</u>               | <u>(4,025)</u> | <u>(11,926)</u>  | <u>(10,288)</u>                                   | <u>(26,239)</u> |
| Balance as of March 31, 2018                  | <u>4,857</u>  | <u>(67)</u>                  | <u>4,790</u>   | <u>(1,704)</u>   | <u>(10,892)</u>                                   | <u>(7,806)</u>  |
| Fair value adjustments on:                    |   |                              |                |  |   |                 |
| Derivative agreements                         | 630   | 81                           | 711            | -  | -   | 711             |
| Joint ventures' derivative agreements         | -   | -                            | -              | 2,404  | -   | 2,404           |
| Exchange differences arising during the year: |   |                              |                |  |   |                 |
| On investments                                | -   | -                            | -              | 1,281  | -   | 1,281           |
| On subsidiaries                               | -   | -                            | -              | -  | (8,856)   | (8,856)         |
| Balance as of June 30, 2018                   | <u>5,487</u>  | <u>14</u>                    | <u>5,501</u>   | <u>1,981</u>   | <u>(19,748)</u>                                   | <u>(12,266)</u> |

Changes in comprehensive income for the six-month periods ended June 30, 2018 and 2017 are as follows:

|   | <u>Cash flow hedge fair value adjustments attributable to</u> |                                      |                | Share of<br>investments'<br>other<br>comprehensive<br>loss | Foreign<br>currency<br>translation<br>adjustments | Total           |
|---|---|--------------------------------------|----------------|--|---|-----------------|
|   | <u>Owners of<br/>the Group</u>                                | <u>Non-controlling<br/>interests</u> | <u>Total</u>   |  |   |                 |
| Balance as of December 31, 2016             | (3,749)   | (2,087)                              | (5,836)        | (12,156)   | (8,130)   | (26,122)        |
| Fair value adjustments on:                  |   |                                      |                |  |   |                 |
| Derivative agreements                       | 1,059   | 752                                  | 1,811          | -  | -   | 1,811           |
| Joint ventures' derivative agreements       | -   | -                                    | -              | (62)   | -   | (62)            |
| Associates' financial assets                | -   | -                                    | -              | -  | -   | -               |
| Exchange differences:                       |   |                                      |                |  |   |                 |
| On investments arising during the<br>period | -   | -                                    | -              | 292  | -   | 292             |
| Arising during the period                   | -   | -                                    | -              | -  | (2,158)   | (2,158)         |
| Balance as of June 30, 2017                 | <u>(2,690)</u>  | <u>(1,335)</u>                       | <u>(4,025)</u> | <u>(11,926)</u>  | <u>(10,288)</u>                                   | <u>(26,239)</u> |
| Balance as of December 31, 2017             | 1,584   | (376)                                | 1,208          | (7,627)  | (10,337)  | (16,756)        |
| Fair value adjustments on:                  |   |                                      |                |  |   |                 |
| Derivative agreements                       | 3,903   | 390                                  | 4,293          | -  | -   | 4,293           |
| Joint ventures' derivative agreements       | -   | -                                    | -              | 8,406  | -   | 8,406           |
| Associates' financial assets                | -   | -                                    | -              | -  | -   | -               |
| Exchange differences:                       |   |                                      |                |  |   |                 |
| On investments arising during the<br>period | -   | -                                    | -              | 1,202  | -   | 1,202           |
| Arising during the period                   | -   | -                                    | -              | -  | (9,411)   | (9,411)         |
| Balance as of June 30, 2018                 | <u>5,487</u>  | <u>14</u>                            | <u>5,501</u>   | <u>1,981</u>   | <u>(19,748)</u>                                   | <u>(12,266)</u> |



## e) Non-controlling interests

The Group's 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 per share

Basic and diluted profit per share amounts are calculated by dividing the profit 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.

|   | Three-month period<br>ended June 30, |                | Six-month period<br>ended June 30, |                |
|---|--------------------------------------|----------------|------------------------------------|----------------|
|   | <u>2018</u><br>(Restated)            | <u>2017</u>    | <u>2018</u><br>(Restated)          | <u>2017</u>    |
| Profit attributable to the owners of the Group  | 31,148                               | 83,075         | 66,076                             | 175,729        |
| Weighted average number of ordinary shares for calculation purposes (thousands of shares) (*) | <u>189,227</u>                       | <u>189,227</u> | <u>189,227</u>                     | <u>189,227</u> |
| Basic and diluted profit per share (in U.S. dollars – US\$)                                   | <u>0.18</u>                          | <u>0.44</u>    | <u>0.36</u>                        | <u>0.93</u>    |

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

## 16 NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements. As of June 30, 2018 and 2017, Petrobras has accounted for 92% and 100%, respectively, of total revenues.

Net operating revenue is presented after the following items:

|  | Three-month period<br>ended June 30, |                | Six-month period<br>ended June 30, |                |
|--|--------------------------------------|----------------|------------------------------------|----------------|
|  | <u>2018</u>                          | <u>2017</u>    | <u>2018</u>                        | <u>2017</u>    |
| Gross operating revenue                | 155,904                              | 255,841        | 337,550                            | 520,615        |
| Taxes levied on revenue:               |                                      |                |                                    |                |
| Social Integration Program (PIS) (i)   | (327)                                | (816)          | (807)                              | (1,716)        |
| Social Investment Program (COFINS) (i) | (1,508)                              | (3,758)        | (3,719)                            | (7,904)        |
| Services Tax (ISS) (i)                 | (397)                                | (1,104)        | (978)                              | (2,297)        |
| Good and Service Tax (GST) (ii)        | (1,221)                              | -              | (2,264)                            | -              |
| Withholding Income tax (IRRF)          | <u>(2,856)</u>                       | <u>(740)</u>   | <u>(5,979)</u>                     | <u>(1,477)</u> |
| Net operating revenue                  | <u>149,595</u>                       | <u>249,423</u> | <u>323,803</u>                     | <u>507,221</u> |

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

(ii) Refers to the indirect tax in India.

## 17 COST OF SERVICES AND OPERATING EXPENSES

| Costs and expenses by nature  | Three-month period ended June 30, |                                     |                  |                  |                                     |                  |
|-------------------------------|-----------------------------------|-------------------------------------|------------------|------------------|-------------------------------------|------------------|
|                               | 2018 (Restated)                   |                                     |                  | 2017             |                                     |                  |
|                               | Cost of services                  | General and administrative expenses | Total            | Cost of services | General and administrative expenses | Total            |
| Payroll, charges and benefits | (28,419)                          | (3,867)                             | (32,286)         | (37,466)         | (4,656)                             | (42,122)         |
| Depreciation                  | (43,310)                          | (132)                               | (43,442)         | (57,253)         | (170)                               | (57,423)         |
| Materials                     | (8,625)                           | -                                   | (8,625)          | (14,431)         | -                                   | (14,431)         |
| Maintenance                   | (13,816)                          | -                                   | (13,816)         | (15,387)         | -                                   | (15,387)         |
| Insurance                     | (2,533)                           | -                                   | (2,533)          | (3,508)          | -                                   | (3,508)          |
| Other <sup>(1)/(2)</sup>      | <u>(4,965)</u>                    | <u>(2,894)</u>                      | <u>(7,859)</u>   | <u>(5,090)</u>   | <u>(3,043)</u>                      | <u>(8,133)</u>   |
|                               | <u>(101,668)</u>                  | <u>(6,893)</u>                      | <u>(108,561)</u> | <u>(133,135)</u> | <u>(7,869)</u>                      | <u>(141,004)</u> |

| Costs and expenses by nature  | Six-month period ended June 30, |                                     |                  |                  |                                     |                  |
|-------------------------------|---------------------------------|-------------------------------------|------------------|------------------|-------------------------------------|------------------|
|                               | 2018 (Restated)                 |                                     |                  | 2017             |                                     |                  |
|                               | Cost of services                | General and administrative expenses | Total            | Cost of services | General and administrative expenses | Total            |
| Payroll, charges and benefits | (57,214)                        | (7,808)                             | (65,022)         | (75,254)         | (9,547)                             | (84,801)         |
| Depreciation                  | (84,791)                        | (286)                               | (85,077)         | (114,437)        | (357)                               | (114,794)        |
| Materials                     | (16,504)                        | -                                   | (16,504)         | (27,190)         | -                                   | (27,190)         |
| Maintenance                   | (22,763)                        | -                                   | (22,763)         | (31,579)         | -                                   | (31,579)         |
| Insurance                     | (5,340)                         | -                                   | (5,340)          | (6,611)          | -                                   | (6,611)          |
| Other <sup>(1)/(2)</sup>      | <u>(9,277)</u>                  | <u>(5,555)</u>                      | <u>(14,832)</u>  | <u>(9,237)</u>   | <u>(5,814)</u>                      | <u>(15,051)</u>  |
|                               | <u>(195,889)</u>                | <u>(13,649)</u>                     | <u>(209,538)</u> | <u>(264,308)</u> | <u>(15,718)</u>                     | <u>(280,026)</u> |

- (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.

## 18 OTHER EXPENSES, NET

|  | Three-month period ended June 30, |                | Six-month period ended June 30, |                |
|--|-----------------------------------|----------------|---------------------------------|----------------|
|  | 2018                              | 2017           | 2018                            | 2017           |
|  | (Restated)                        |                | (Restated)                      |                |
| Contractual fee                            | 425                               | 425            | 850                             | 850            |
| Revenue from sales of PP&E                 | -                                 | 2              | 18                              | 20             |
| Property rental                            | 18                                | 20             | 38                              | 40             |
| Reversal of agreement for onerous contract | 3,151                             | -              | 4,081                           | -              |
| Other                                      | <u>2,319</u>                      | <u>6</u>       | <u>2,384</u>                    | <u>14</u>      |
| Other income                               | <u>5,913</u>                      | <u>453</u>     | <u>7,371</u>                    | <u>924</u>     |
| Cost of PP&E sold                          | -                                 | (3)            | (1)                             | (3)            |
| Reversal of (provision for) penalties      | (142)                             | -              | (142)                           | -              |
| Other taxes <sup>(*)</sup>                 | <u>(46)</u>                       | <u>(2,310)</u> | <u>(60)</u>                     | <u>(2,310)</u> |
| Other expenses                             | <u>(188)</u>                      | <u>(2,313)</u> | <u>(203)</u>                    | <u>(2,313)</u> |
| Total other income, net                    | <u>5,725</u>                      | <u>(1,860)</u> | <u>7,168</u>                    | <u>(1,389)</u> |

(\*) Tax levied on dividends received from SBM Espirito do Mar Inc. (Note 9).

## 19 FINANCIAL EXPENSES, NET

|  | Three-month period<br>ended June 30, |                 | Six-month period<br>ended June 30, |                 |
|--|--------------------------------------|-----------------|------------------------------------|-----------------|
|  | <u>2018</u>                          | <u>2017</u>     | <u>2018</u>                        | <u>2017</u>     |
| Interest on short-term investments                     | 563                                  | 1,738           | 1,208                              | 3,415           |
| Financial income from related parties                  | 2,124                                | 1,949           | 4,200                              | 3,816           |
| Other financial income                                 | <u>626</u>                           | <u>449</u>      | <u>849</u>                         | <u>683</u>      |
| Financial income                                       | <u>3,313</u>                         | <u>4,136</u>    | <u>6,257</u>                       | <u>7,914</u>    |
| Financial expenses on loans and financings (Note 11.a) | (30,204)                             | (27,633)        | (59,864)                           | (55,590)        |
| Derivative expenses (Note 14)                          | (132)                                | (1,124)         | (512)                              | (2,528)         |
| Financial expenses from related parties                | (69)                                 | (368)           | (373)                              | (746)           |
| Other financial expenses                               | <u>(1,197)</u>                       | <u>(2,341)</u>  | <u>(2,125)</u>                     | <u>(3,406)</u>  |
| Financial expenses                                     | <u>(31,602)</u>                      | <u>(31,466)</u> | <u>(62,874)</u>                    | <u>(62,270)</u> |
| Foreign exchange variation loss, net                   | <u>(177)</u>                         | <u>(36)</u>     | <u>(410)</u>                       | <u>(102)</u>    |
| Financial expenses, net                                | <u>(28,466)</u>                      | <u>(27,366)</u> | <u>(57,027)</u>                    | <u>(54,458)</u> |

## 20 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

|  | June 30,<br>2018 | December 31,<br>2017 |
|--|------------------|----------------------|
| Income tax (IRPJ) and social contribution<br>on net income (CSLL) <sup>(i)</sup> | 10,186           | 8,820                |
| Social Security Contribution (INSS) <sup>(ii)</sup>                              | 5,391            | 7,952                |
| GST  | 1,100            | -                    |
| Other  | <u>2,526</u>     | <u>289</u>           |
| Total  | <u>19,203</u>    | <u>17,061</u>        |
| Current  | 12,610           | 9,377                |
| Non-current  | 6,593            | 7,684                |

(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

|  | June 30,<br>2018 | December 31,<br>2017 |
|--|------------------|----------------------|
| Services Tax (ISS)   | 808              | 1,232                |
| Income tax (IRPJ) and<br>social contribution (CSLL)                        | 1,244            | 323                  |
| Social Integration Program (PIS) and<br>Social Investment Program (COFINS) | -                | 2,123                |
| State VAT (ICMS)   | 10               | 27                   |
| GST  | <u>3,340</u>     | <u>281</u>           |
| Total  | <u>5,402</u>     | <u>3,986</u>         |

## c) Deferred tax assets

|   | June 30,<br>2018 | December 31,<br>2017 |
|---|------------------|----------------------|
| Income tax (IRPJ) and<br>social contribution (CSLL) (*) | <u>15,075</u>    | <u>10,999</u>        |
| Total   | <u>15,075</u>    | <u>10,999</u>        |

(\*) 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.

## d) Effect of income tax results

The tax rate used for the six-month periods ended June 30, 2018 and 2017 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 six-month periods ended June 30, 2018, reconciliations below also consider the corporate nominal tax rate of 20% in accordance with British tax legislation, jurisdiction in which Constellation UK Ltd. operates and the withholding tax on QGOG India revenues of 4,326% in accordance with India tax legislation, jurisdiction in which QGOG India operates.

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

|  | Three-month period<br>ended June 30, |             | Six-month period<br>ended June 30, |                |
|--|--------------------------------------|-------------|------------------------------------|----------------|
|  | <u>2018</u>                          | <u>2017</u> | <u>2018</u>                        | <u>2017</u>    |
| Profit before taxes                                    | 11,971                               | 89,533      | 36,227                             | 184,274        |
| Income tax and social contribution at nominal rate (*) | 5,732                                | (29)        | 4,664                              | (2,160)        |
| Adjustments to derive effective tax rate:              |                                      |             |                                    |                |
| Non-deductible expenses                                | (327)                                | (125)       | (213)                              | (92)           |
| Other  | <u>400</u>                           | <u>216</u>  | <u>576</u>                         | <u>227</u>     |
| Income tax expense recognized in profit or loss        | <u>5,805</u>                         | <u>62</u>   | <u>5,027</u>                       | <u>(2,025)</u> |
| Current taxes  | 260                                  | (3,119)     | (1,003)                            | (3,482)        |
| Deferred taxes   | 5,545                                | 3,181       | 6,030                              | 1,457          |

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

## 21 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:

| Category                         | June 30,<br>2018                  |            | December 31,<br>2017 |            |
|----------------------------------|-----------------------------------|------------|----------------------|------------|
|                                  | Carrying amount                   | Fair value | Carrying amount      | Fair value |
| <u>Financial assets</u>          |                                   |            |                      |            |
| Cash and cash equivalents        |                                   |            |                      |            |
| Loans and receivables            | 172,137                           | 172,137    | 216,263              | 216,263    |
| Short-term investments           | Fair value through profit or loss | 3,532      | 3,532                | 13,500     |
| Restricted cash                  | Fair value through profit or loss | 30,803     | 30,803               | 39,035     |
| Trade and other receivables      | Loans and receivables             | 98,277     | 98,277               | 67,144     |
| Receivables from related parties | Loans and receivables             | 419,243    | 419,243              | 383,528    |
| Derivatives                      | Fair value through profit or loss | 5,471      | 5,471                | 2,044      |
| <u>Financial liabilities</u>     |                                   |            |                      |            |
| Loans and financings             | Other financial liabilities       | 1,544,003  | 1,130,738            | 1,655,183  |
| Trade and other payables         | Other financial liabilities       | 26,149     | 26,149               | 37,537     |
| Payables to related parties      | Other financial liabilities       | 378,745    | 378,745              | 346,470    |
| Derivatives                      | Fair value through profit or loss | 635        | 635                  | 2,817      |

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 condensed consolidated interim 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. Loans and financings and 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

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.

#### Liquidity risk

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 11) 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.

As of June 30, 2018 and December 31, 2017, the Group presents net working capital deficiency in the amounts of US\$324,937 and US\$421,991, respectively, mainly due to the reclassification of part of its inventories to non-current assets (Note 7), working capital loans maturing in July 2018, the current portion of its long-term loans and financings (Note 11) 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:

#### June 30, 2018

| Period     | Trade payables | Loans and financings | Derivatives    | Payables to related parties | Total            |
|------------|----------------|----------------------|----------------|-----------------------------|------------------|
| 2018       | 25,481         | 610,790              | (329)          | 7,122                       | 643,064          |
| 2019       | -              | 225,785              | (2,410)        | 71,925                      | 295,300          |
| 2020       | -              | 359,090              | (1,728)        | 82,542                      | 439,904          |
| 2021       | -              | 80,894               | -              | 91,328                      | 172,222          |
| After 2022 | -              | 705,778              | -              | 257,534                     | 963,312          |
| Total      | <u>25,481</u>  | <u>1,982,337</u>     | <u>(4,467)</u> | <u>510,451</u>              | <u>2,513,802</u> |

#### December 31, 2017

| Period     | Trade payables | Loans and financings | Derivatives  | Payables to related parties | Total            |
|------------|----------------|----------------------|--------------|-----------------------------|------------------|
| 2018       | 37,537         | 745,071              | 4,354        | 6,818                       | 793,780          |
| 2019       | -              | 224,165              | (222)        | 71,925                      | 295,868          |
| 2020       | -              | 360,900              | (339)        | 82,542                      | 443,103          |
| 2021       | -              | 80,894               | -            | 92,195                      | 173,089          |
| After 2021 | -              | 705,779              | -            | 226,601                     | 932,380          |
| Total      | <u>37,537</u>  | <u>2,116,809</u>     | <u>3,793</u> | <u>480,081</u>              | <u>2,638,220</u> |



### 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 3, 6 and 8, 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 six-month period ended June 30, 2018 and 2017, Petrobras has accounted for 92% and 100%, respectively, of total revenues (Note 16). 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 11). The Group manages the interest rate risk related to the project financing agreements by eliminating variable-to-fixed interest rate swaps (Note 14).

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 condensed consolidated interim statement of financial position (Note 14). 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 condensed consolidated interim statement of operations and amended and restated condensed consolidated interim 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 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.

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               | June 30, 2018  | Scenario I <sup>(i)</sup>   | Scenario II <sup>(ii)</sup> |
|---|----------------|-----------------------------|-----------------------------|
|   |                | Increase/ (decrease) in P&L |                             |
| Variable interest rate loans (Note 11)      | 152,454        | (152)                       | 152                         |
| Variable interest rate financings (Note 11) | <u>643,362</u> | <u>(643)</u>                | <u>643</u>                  |
| Total                                       | <u>795,816</u> | <u>(795)</u>                | <u>795</u>                  |
|   |                | Increase/ (decrease) in OCI |                             |
| Hedge derivatives (Note 14)                 | (595,008)      | 595                         | (595)                       |

- (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:

|  | June 30,<br>2018 | December 31,<br>2017 |
|--|------------------|----------------------|
| Loans and financings <sup>(a)</sup>  | 1,544,003        | 1,655,183            |
| Cash transactions <sup>(b)</sup>   | <u>(206,727)</u> | <u>(268,798)</u>     |
| Net debt <sup>(c)</sup>  | <u>1,337,276</u> | <u>1,386,385</u>     |
| Shareholders' equity <sup>(d)</sup>  | <u>1,466,468</u> | <u>1,388,832</u>     |
| Net debt on shareholders' equity plus net debt <sup>[c)] ÷ [(c) + (d)]</sup> | <u>48%</u>       | <u>50%</u>           |

- (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.

## 22 INSURANCE

As of June 30, 2018 and December 31, 2017, major assets or interests covered by insurance policies and their respective coverage amounts are summarized below:

|                                    | June 30,<br>2018 | December 31,<br>2017 |
|------------------------------------|------------------|----------------------|
| Civil liability                    | 1,768,000        | 2,373,000            |
| Operating risks                    | 1,872,459        | 3,643,573            |
| Operational headquarter and others | <u>22,648</u>    | <u>20,826</u>        |
| Total                              | <u>3,663,107</u> | <u>6,037,399</u>     |

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

## 23 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 six-month period ended June 30, 2018 and 2017, contributions payable by SPC at rates specified by the plan rules amounts to US\$43 and US\$96, respectively.

## 24 SEASONALITY

There is no seasonality impact over the Group's charter agreements and its related drilling services.

## 25 SUBSEQUENT EVENTS

### Working capital credit loans

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.

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.

### Deferment of interest payment on the 2019 and 2024 Notes

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.

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.

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.

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 condensed consolidated interim 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

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. There was no evidence of pollution or environmental damage, and following detailed testing and inspections to ensure the safety of the rig and its crew, Olinda Star returned to normal drilling operations on January 8, 2019.

## 26 APPROVAL OF THE AMENDED AND RESTATED CONSOLIDATED FINANCIAL STATEMENTS

The amended and restated unaudited condensed consolidated interim financial statements were approved by the Company’s management and authorized for issue on January 16, 2019.

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