Constellation Oil Services Holding S.A.

Unaudited Condensed Consolidated Interim Financial Statements as of March 31, 2019 and for the Three-month Period Then Ended

TABLE OF CONTENTS

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2019
(Amounts expressed in thousands of U.S. dollars - US$'000)

ASSETS	Note	March 31, 2019	December 31, 2018
CURRENT ASSETS			
Cash and cash equivalents	3	107,925	109,406
Short-term investments	4	13,904	26,047
Restricted cash	5	42,760	42,553
Trade and other receivables	6	31,961	32,410
Inventories	7	41,142	39,883
Recoverable taxes	19.a	15,620	12,816
Deferred mobilization costs		2,264	2,264
Receivables from related parties	8	1,312	974
Other current assets		10,229	10,436
Total current assets		267,117	276,789
NON-CURRENT ASSETS			
Receivables from related parties	8	21	17
Other non-current assets		2,364	2,368
Deferred mobilization costs		1,810	2,368
Recoverable taxes	19.a	24	3,059
Deferred tax assets	19.c	12,093	12,168
Inventories	7	125,161	125,866
Investments	9	200,788	198,503
Property, plant and equipment, net	10	2,393,998	2,442,049
Total non-current assets		2,736,259	2,786,398
TOTAL ASSETS		3,003,376	3,063,187

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS OF MARCH 31, 2019
(Amounts expressed in thousands of U.S. dollars - US$'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	March 31, 2019	December 31, 2018
CURRENT LIABILITIES			
Loans and financings	11	1,503,787	1,475,200
Payroll and related charges		11,073	12,284
Trade and other payables		35,489	33,150
Payables to related parties	8	279	188
Taxes payables	19.b	3,768	2,479
Provisions	12	1,029	1,035
Deferred revenues		3,432	3,423
Deficit in investments	9	50,788	48,503
Other current liabilities		38,287	47,120
Total current liabilities		1,647,932	1,623,382
NON-CURRENT LIABILITIES			
Deferred revenues		2,673	3,526
Other non-current liabilities		15,960	16,776
Total non-current liabilities		18,633	20,302
TOTAL LIABILITIES		1,666,565	1,643,684
SHAREHOLDERS' EQUITY			
Share capital	14.a	63,200	63,200
Share premium	14.a	766,561	766,561
Transaction costs on issuance of shares		(9,721)	(9,721)
Reserves	14.b/d	(102,473)	(100,371)
Retained earnings		619,244	699,834
TOTAL SHAREHOLDERS' EQUITY		1,336,811	1,419,503
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,003,376	3,063,187

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019
(Amounts expressed in thousands of U.S. dollars - US$'000, except per share amounts)

	Note	Three-month period ended March 31, 2019	2018
NET OPERATING REVENUE	15	31,938	174,208
COST OF SERVICES	16	(86,666)	(94,221)
GROSS PROFIT / (LOSS)		(54,728)	79,987
General and administrative expenses	16	(10,813)	(6,756)
Other income	17	10,416	1,459
Other expenses	17	(2,392)	(16)
OPERATING PROFIT / (LOSS)		(57,517)	74,674
Financial income	18	1,014	2,944
Financial expenses	18	(29,448)	(31,272)
Foreign exchange variation income/ (loss), net	18	156	(233)
FINANCIAL EXPENSES, NET		(28,278)	(28,561)
Share of results of investments	9	5,645	(7,037)
PROFIT / (LOSS) BEFORE TAXES		(80,150)	39,076
Taxes	19.d	(440)	(778)
PROFIT / (LOSS) FOR THE PERIOD		(80,590)	38,298
Profit / (Loss) attributable to:			
Controlling interests		(80,590)	34,928
Non-controlling interests		-	3,370
Profit / (Loss) per share (in U.S. dollars - US$)			
Basic	14.e	(0.43)	0.18
Diluted	14.e	(0.43)	0.18

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019
(Amounts expressed in thousands of U.S. dollars - US$'000)

	Note	Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
PROFIT / (LOSS) FOR THE PERIOD		(80,590)	38,298
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges fair value adjustments	14.d	-	3,582
Share of investments' other comprehensive income	9/14.d	(3,241)	5,923
Foreign currency translation adjustments	14.d	1,139	(555)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		(82,692)	47,248
Comprehensive income attributable to:			
Controlling interests		(82,692)	43,569
Non-controlling interests		-	3,679

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019
(Amounts expressed in thousands of U.S. dollars - US$'000)

December 31, 2018

					Reserves							Equity attributable to		
	Note	Share capital	Share premium	Transaction costs on issuance of shares	Legal	Cash flow hedges fair value adjustments	Share of investments' other comprehensive loss	Acquisition of non-controlling interest	Foreign currency translation adjustments	Total reserves	Retained earnings	Controlling interests	Non-controlling interests	Total shareholders' equity
BALANCE AS OF DECEMBER 31, 2017		63,200	766,561	(9,721)	5,683	1,584	(7,627)	-	(10,337)	(10,697)	628,826	1,438,169	(49,337)	1,388,832
Profit for the period		-	-	-	-	-	-	-	-	-	34,928	34,928	3,370	38,298
Other comprehensive income for the period	14.d	-	-	-	-	3,273	5,923	-	(555)	8,641	-	8,641	309	8,950
Total comprehensive income for the period		-	-	-	-	3,273	5,923	-	(555)	8,641	34,928	43,569	3,679	47,248
BALANCE AS OF MARCH 31, 2018		63,200	766,561	(9,721)	5,683	4,857	(1,704)	-	(10,892)	(2,056)	663,754	1,481,738	(45,658)	1,436,080
BALANCE AS OF DECEMBER 31, 2018		63,200	766,561	(9,721)	5,683	-	878	(85,555)	(21,377)	(100,371)	699,834	1,419,503	-	1,419,503
Loss for the period		-	-	-	-	-	-	-	-	-	(80,590)	(80,590)	-	(80,590)
Other comprehensive loss for the period	14.d	-	-	-	-	-	(3,241)	-	1,139	(2,102)	-	(2,102)	-	(2,102)
Total comprehensive loss for the period		-	-	-	-	-	(3,241)	-	1,139	(2,102)	(80,590)	(82,692)	-	(82,692)
BALANCE AS OF MARCH 31, 2019		63,200	766,561	(9,721)	5,683	-	(2,363)	(85,555)	(20,238)	(102,473)	619,244	1,336,811	-	1,336,811

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2019
(Amounts expressed in thousands of U.S. dollars - US$'000)

		Three-month period ended March 31,	
	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit for the period		(80,590)	38,298
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation of property, plant and equipment	10/16	48,056	41,635
(Gain) on sales of property, plant and equipment, net	17	-	(16)
Impairment loss recognised on investment FPSO		1,258	-
Share of results of investments	9	(5,645)	7,037
Recognition of deferred mobilization costs		558	2,882
Recognition of deferred revenues, net of taxes levied		(844)	(14,866)
Financial expenses on loans and financings	11.a/18	28,587	29,660
Financial income from related parties, net	8/18	91	(1,772)
Fair value loss on derivatives	14/18	-	380
Provision/(reversal) of accrual for onerous contract		(8,823)	(930)
Other financial expenses (income), net	18	(400)	293
Recognition (reversal) of provisions		(6)	-
Taxes	19.d	440	778
Decrease/(increase) in assets:			
Short-term investments		12,143	(42,698)
Trade and other receivables		449	(11,809)
Receivables from related parties		(433)	(271)
Inventories		(554)	(2,985)
Recoverable taxes		231	(1,084)
Deferred taxes		75	(3)
Deferred mobilization costs		-	(593)
Other assets		212	(458)
Increase/(decrease) in liabilities:			
Payroll and related charges		(1,211)	(2,061)
Trade and other payables		2,339	(12,093)
Taxes payables		1,289	992
Deferred revenues		-	10,183
Other liabilities		(826)	(1,094)
Cash provided by operating activities		(3,604)	39,404
Income tax and social contribution paid		(467)	(2,423)
Net cash provided by operating activities		(4,071)	36,981
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital decrease in investments	9	1,148	1,648
Acquisition of property, plant and equipment	10	(84)	(10,851)
Proceeds from sales of property, plant and equipment	17	-	18
Net cash used in investing activities		1,064	(9,185)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on loans and financings	11.a	-	(10,508)
Cash payments on derivatives		-	(1,117)
Restricted cash	5	(207)	(113)
Repayment of principal on loans and financings	11.a	-	(48,751)
Net cash used in financing activities		(207)	(60,489)
Decrease in cash and cash equivalents		(3,214)	(32,693)
Cash and cash equivalents at the beginning of the period	3	109,406	216,263
Effects of exchange rate changes on the balance of cash held in foreign currencies		1,733	(5)
Cash and cash equivalents at the end of the period	3	107,925	183,565

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

CONSTELLATION OIL SERVICES HOLDING S.A.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF MARCH 31, 2019 AND FOR THE THREE-MONTH PERIOD THEN ENDED
(Amounts expressed in thousands of U.S. dollars - US$ '000, unless otherwise stated)

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 companies mainly operating in Brazil. The Group currently charters its onshore and offshore drilling rigs and drillships to a variety of multinational companies, such as Shell Brasil Petróleo Ltda. ("Shell") and Oil and National Gas Corporation ("ONGC"). As disclosed in Note 9, the Group, through certain of its associate and joint venture entities, also has valid agreements with Petróleo Brasileiro S.A. - Petrobras until 2036.

a) Fleet of drilling rigs and drillships

Offshore drilling units

Drilling unit	Type	Start of operations	Contract expiration date (current or previous)	Customer (current or previous)
Atlantic Star (*)	Semi-submersible	1997	January 2019	Petrobras
Olinda Star	Semi-submersible	2009	January 2021	ONGC
Gold Star (*)	Semi-submersible	2010	February 2018	Petrobras
Lone Star (*)	Semi-submersible	2011	March 2018	Petrobras
Alpha Star (*)	Semi-submersible	2011	July 2017	Petrobras
Amaralina Star	Drillship	2012	April 2019 (Note 24)	Total
Laguna Star	Drillship	2012	May 2019 (Note 1.c)	Enauta
Brava Star	Drillship	2015	November 2019 (Note 1.b)	Shell

Onshore drilling units

Drilling units	Type	Start of operations	Contract expiration date (current or previous)	Customer (current or previous)
QG-I(*)	Onshore drilling rig	1981	June 2018	Zeus
QG-II (*)	Onshore drilling rig	1981	August 2018	Ouro Preto
QG-III (*)	Onshore drilling rig	1987	April 2016	Petrobras
QG-IV (*)	Onshore drilling rig	1996	June 2015	Petrobras
QG-V (*)	Onshore drilling rig	2011	April 2015	Petrobras
QG-VI (*)	Onshore drilling rig	2008	May 2016	Petrobras
QG-VII (*)	Onshore drilling rig	2008	July 2015	Petrobras
QG-VIII (*)	Onshore drilling rig	2011	November 2019 (Note 24)	Eneva
QG-IX (*)	Onshore drilling rig	2011	June 2014	HRT O&G Exploração e Produção de Petróleo Ltda.

(*) As of March 31, 2019, these onshore and offshore drilling rigs were not hired under charter and service-rendering agreements. The Group is continuously seeking for new customers.

b) Brava Star drillship charter and service-rendering agreements

On August 1, 2018, the Group announced that its drillship, the Brava Star, had been awarded a contract with 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 period of 810 days 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 commenced on March 7, 2019.

On December 31, 2018, the Group recognized a provision for onerous contract in the total amount of US$18,673, related to the aforementioned contract.

c) Laguna Star offshore drilling rig charter and service-rendering agreements

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 charter and service-rendering agreements with Petrobras, which expired on November 2018.

On September 17, 2018, the Group announced that its drillship, the Laguna Star, had been awarded a contract with Enauta Energia S.A. (“Enauta”), formerly named Queiroz Galvão Exploração e Produção S.A., 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 commenced on February 18, 2019.

On December 31, 2018, the Group recognized a provision for onerous contract in the total amount of US$3,643, related to the aforementioned contract.

d) Operational and commercial strategies

The Group’s capacity to participate in tenders of Petrobras, its main client (Note 20.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 and gas industry players.

The Group's operations are dependent upon conditions in the oil and gas industry and, specifically, on the exploration and production expenditures of oil and gas companies. 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 Mumbai (India) 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 with ONGC (Note 1.b).

Additionally, 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 strategies, combined with cost containment measures, capital expenditures discipline and its strong operational track record, will position the Group to benefit from the recovery in the oil and gas industry. Certain commercial actions were already successfully implemented, reflecting the obtainment of new charter and service-rendering agreements entered into during 2019 (Note 24).

e) Liquidity and financial restructuring aspects

In addition to the aforementioned ongoing operational and commercial strategies, the Group has taken a series of financial restructuring measures aiming at improving its liquidity position by extending the maturity of its debt through a liability management process. By the end of 2017, the Group began to engage in discussions with its financial creditors regarding the terms of a comprehensive financial restructuring with the objective of achieving a sustainable capital structure. The Group intended to reach this goal by extending debt maturities, reducing fixed amortization, amending financial covenants and raising new capital. The first phase of this liability management process was successfully initiated through the issuance of Senior Secured Notes maturing in November 2024 (the "New Notes"), extending the maturity of Amaralina Star project financing balloon payment from September 28, 2018 to December 8, 2018, and extending the maturity of working capital loans from September 21, 2018 to December 8, 2018 (Note 11). These maturity extensions provided extra time for the Group to continue advancing in the ongoing negotiations with its financial creditors.

After considering the challenges of its economic and financial situation and the maturity schedule of the Group's financial debts, thus recognizing the need to adopt protective measures to its business, the Group concluded that (i) the Company did not meet the insolvency test under Luxembourg law, and (ii) filing a request to commence a Judicial Recovery proceeding in Brazil (the "RJ"), on a partially consensual basis, would be the most appropriate action to be taken. Therefore, on November 29, 2018, the Group executed a Plan Support and Lock-Up Agreement (the "PSA"), under which financial creditors holding approximately 50% of the Group's funded debt agreed to support the approval of a consensual and comprehensive RJ plan (the "RJ Plan"), provided that certain precedent conditions have been met, including an agreement on definitive documentation, approval of the RJ Plan by financial creditors and the Brazilian court and filing of an order enforcing the RJ Plan in a U.S. court. As part of the PSA, the engaged shareholders and certain financial creditors of the Group have committed to provide new capital to the Group.

On December 5, 2018, the Company's Board of Directors authorized the filing of a RJ consistent with the PSA, and on December 6, 2018, the Company and certain of its subsidiaries (hereinafter together referred to as the "RJ Debtors") filed a request for a RJ Plan under the terms of the Brazilian Bankruptcy Law (Law No. 11,101/2005) at the First Corporate Court of the Judicial District of the State Capital of Rio de Janeiro (the "RJ Court"), thus commencing an RJ for the RJ Debtors (the "RJ Proceeding").

In accordance with Brazilian Bankruptcy Law, the RJ Debtors are required to submit to the RJ Court a list of their financial creditors (the "First List of Creditors") for publication. The First List of Creditors was submitted by the RJ Debtors to the RJ Court on December 6, 2018, and was published in the Electronic Court Gazette (*Diário da Justiça Eletrônico*) of the State Capital of Rio de Janeiro on December 18, 2018. In accordance with the PSA, and prior to the closing of the term provided for in the Brazilian Bankruptcy Law, on February 11, 2019, the RJ Debtors presented their RJ Plan to the RJ Court.

After the commencement of the RJ Proceeding, the Group continued to negotiate with certain bondholders representing the majority of the total amount of the New Notes (the "Ad Hoc Group"). On February 12, 2019, the Company's Board of Directors approved the signing of amendments to the PSA, as agreed with the financial creditors, as well as a Backstop Commitment Agreement (the "BCA"). Following successful negotiations, on February 21, 2019, the Group entered into a revised PSA (the "Amended and Restated PSA") with the financial creditors of the project financings of Amaralina Star, Laguna Star and Brava Star drillships, Banco Bradesco S.A. (working capital loans lender) and the Ad Hoc Group. Under the terms of the Amended and Restated PSA, the Group and the Ad Hoc Group entered into the BCA, whereby the Ad Hoc Group members undertook to provide new capital to be invested by the bondholders maturing in November 2024.

The General Creditors Meeting, where the votes of the financial creditors are requested, was scheduled for June 27, 2019. On June 28, 2019, the Group entered into a further revised PSA (the "Second Amended and Restated PSA") and BCA Agreement (the "Amended and Restated BCA"), to make certain amendments to the RJ Plan. Following the submission of an amended RJ Plan (the "Amended and Restated RJ Plan") by the Group to the financial creditors on June 28, 2019, approximately 90% of the financial creditors, in value, approved the Amended and Restated RJ Plan. On July 1, 2019, the judge of the RJ Court approved the Amended and Restated RJ Plan. The RJ Debtors will endeavor to exit the RJ Proceeding by the end of 2019, subject to approval by the RJ Court.

Once the Amended and Restated RJ Plan is implemented, it will enable the Group to achieve its debt-restructuring goal, which, together with a capital contribution of approximately US$105 million from the shareholders and certain financial creditors, will allow the Group reach a sustainable capital structure.

The RJ Proceeding filing, the submission of the Amended and Restated RJ Plan, the entry into the Second Amended and Restated PSA with a majority of the Group's financial creditors, the entry into the Amended and Restated BCA, as well as the approval by the financial creditors and the ratification of the Amended and Restated RJ Plan submitted in the General Creditors Meeting, correspond to the most significant measures towards the Group's comprehensive financial restructuring.

f) Operational continuity of the Group

The Group's operational continuity will substantially depend on its ability to implement its ongoing operational and commercial strategies and to achieve a comprehensive financial restructuring following the Amended and Restated RJ Plan approval. The Group's management understands that the measures taken until the date of approval of these unaudited condensed consolidated interim financial statements, in addition to the Amended and Restated RJ Plan approval and the successful implementation of the measures set forth in the Amended and Restated RJ Plan will enable the Group to comply with its financial commitments and maintain its operational continuity.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The 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, 2018 and for the year then ended.

IAS 34 requires the use of certain accounting estimates by the Company's Management. The 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 20.a).

The 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, 2018, 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, 2018 and March 31, 2019.

The unaudited condensed consolidated interim 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, 2018 and for the year then ended.

Continuity as a going concern

The Company's 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, 2019. The following amendments have been applied by the Group, but had no significant impact on its unaudited condensed consolidated interim financial statements, except for supplementary disclosures included in the explanatory notes:

Standard	Description	Effective date
IFRS 9 (New)	Financial Instruments	January 1, 2018
IFRS 15 (New)	Revenue from Contracts with Customers	January 1, 2018
IFRIC 22 (New)	Foreign Currency Transactions and Advance Considerations	January 1, 2018
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	January 1, 2018
IAS 40 (Amendments)	Transfers of Investment Property	January 1, 2018
IAS 28 (Amendments)	Annual Improvements to IFRS Standards 2014 – 2016 Cycle	January 1, 2018

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

At the date of authorization of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New or revised standards and interpretations

Standard or interpretation	Description	Effective date
IFRS 16 *Leases*	IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. However, IFRS 16 has changed and expanded the disclosures required for lessors.	January 1, 2019
IFRS 17 *Insurance Contracts*	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach.	January 1, 2021
Amendments to IFRS 9 *Prepayment Features with Negative Compensation*	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
Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their	January 1, 2019

	carrying amount required by IAS 28	
Annual Improvements to IFRS Standards 2015–2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	The *Annual Improvements* include amendments to four Standards: IAS 12 *Income Taxes* The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 *Borrowing Costs* 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 capitalisation rate on general borrowings. IFRS 3 *Business Combinations* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation. IFRS 11 *Joint Arrangements* The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.	January 1, 2019
Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*	The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.	January 1, 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses	The effective date of the amendments has yet to be set by the IASB

	resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.	
IFRIC 23 *Uncertainty over Income Tax Treatments*	IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to: ✓ determine whether uncertain tax positions are assessed separately or as a group; and ✓ assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings: ○ If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. ○ If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.	January 1, 2019

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

3 CASH AND CASH EQUIVALENTS

	March, 31, 2019	December 31, 2018
Cash and bank deposits	20,079	17,556
Time deposits [a]	87,846	91,850
Total	107,925	109,406

a) Time deposits are comprised as follows:

Financial institution	Currency	Average interest rate (per annum)	March, 31 2019	December 31, 2018
Itaú BBA Nassau	U.S. dollar	0.22%	76,133	55,497
Citibank	U.S. dollar	0.59%	3,052	17,286
Bradesco S.A.	Brazilian real	0.28%	5,803	81
HSBC	U.S. dollar	1.00%	2,591	18,701
Preferred Bank	U.S. dollar	0.10%	17	250
Banco do Brasil	Brazilian real	0.88%	250	35
Total			87,846	91,850

4 SHORT-TERM INVESTMENTS

Short-term investments	Financial institution	Currency	Average interest rate (per annum)	March, 31, 2019	December 31, 2018
Time deposits [(i)]	Lafise	U.S. dollar	2.75%	48	48
Repurchase agreements [(iii)]	Banco do Brasil	Brazilian real	99% of CDI[(ii)]	13,856	25,999
Total				13,904	26,047

(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 three-month period ended March 31, 2019 and December 31, 2018 was 6.50% p.a. and 10.07% respectively.

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

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 project finance agreements related to the construction of the Amaralina Star and Brava Star drillships (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)	March 31, 2019	December 31, 2018
Time deposits	Citibank N.A.	0.24%	10,143	10,068
Time deposits	HSBC	1.00%	24,518	24,386
Bank deposits	HSBC	-	5,099	5,099
Bank deposits	Citibank N.A.	-	3,000	3,000
Total			42,760	42,553

6 TRADE AND OTHER RECEIVABLES

Trade receivables are related to receivables for charter and service-rendering agreements relating to the drilling rigs and drillships used in the exploration of oil and gas in Brazil and in India. 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 20.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 consolidated statement of operations are accounted for as Cost of Services in the sub-account “Materials” (Note 16). On March 31, 2019, due to an expected period of lower drilling rigs and drillships utilization, the Group reclassified the amount of US$125,161 to non-current assets, since such materials are not expected to be consumed within a one-year period (US$125,866 as of December 31, 2018).

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 March 31, 2019 and December 31, 2018, and transactions for the three-month periods ended March 31, 2019 and 2018 are as follows:

	March 31, 2019		December 31, 2018		Three-month period ended March 31, 2019	Three-month period ended March 31, 2018
	Assets	Liabilities	Assets	Liabilities	Income/ (expenses)	Income/ (expenses)
Alperton Capital Ltd. [(a)]	-	-	-	-	-	2,071
Queiroz Galvão S.A. [(b)]	-	279	-	188	(91)	(304)
FPSO Capixaba Venture S.A. [(c)]	-	-	-	-	-	5
Tupi Nordeste Operações Marítimas Ltda. [(d)]	401	-	216	-	-	394
Guará Norte Operações Marítimas Ltda. [(d)]	228	-	162	-	241	288
Alfa Lula Alto Operações Marítimas Ltda. [(d)]	234	-	229	-	234	261
Guará Norte Holding Ltd.[(e)]	167	-	83	-	42	125
Alfa Lula Alto Holding Ltd. [(e)]	150	-	150	-	50	150
Beta Lula Central Holding Ltd.[(e)]	50	-	50	-	50	150
Others	103	-	101	-	4	5
Total	1,333	279	991	188	530	3,145
Current	1,312	279	974	188		
Non-current	21	-	17	-		

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

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

The income for the three-month period ended March 31, 2018 in the amount of US$2,071 is presented net of expenses. The income for the three-month period ended March 31, 2018 in the amount of US$13,063 and US$12,515, respectively, refer to interest charged on the receivables by Constellation Overseas from Alperton as of March 31, 2018, while the expenses for three-month period ended March 31, 2018 in the amount of US$13,063 and US$10,445, respectively, refer to interest charged on the payables due by Amaralina and Laguna to Alperton as of March 31, 2018 (Note 18 – Financial income from related parties).

The Group charged a fee to Alperton for being the guarantor of Amaralina Star and Laguna Star drillships project financings and a fee for being the guarantor for importations under the Special Regime of Temporary Admission (*Regime Aduaneiro Especial de Importação e Exportação de Bens Destinados à Pesquisa e Lavra de Petróleo e Gás* - REPETRO). For the the three-month period ended March 31, 2018, the net fees charged to Alperton totaled US$2,071.

<u>*Constellation Overseas request for arbitration against Alperton*</u>

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 September 14, 2018, Alperton submitted its “Answer and Counterclaims” in said arbitration.

On September 21, 2018, further to the existence of an unremedied 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.

On February 11, 2019, Alperton submitted an application for an Award of Interim Measures (the “Application”) in the arbitration seeking, *inter alia*, an order enjoining Constellation Overseas from pledging or encumbering the shares formerly held by Alperton.

On February 27, 2019, Constellation Overseas submitted its Opposition to Application for Interim Measures. A second round of briefing took place, with Alperton submitting a reply on March 11, 2019 and Constellation Overseas submitted a Rejoinder on March 18, 2019.

On April 8, 2019, the Arbitral Tribunal issued an Interim Order granting the Application in substantial part, subject to Alperton posting a bond of US$33.4 million within 10 days of the interim order (by April 18, 2019).

On April 26, 2019, the Arbitral Tribunal issued an Interim Award, confirming the relief ordered in the Interim Order, and requiring Alperton to post a bond of US$10 million by May 27, 2019.

On May 31, 2019, at Constellation Overseas' request, the Arbitral Tribunal ordered the dissolution of the Interim Award, effective immediately, as a result of Alperton's failure to post a compliant bond.

As of the date of the issuance of these unaudited condensed consolidated interim financial statements, the Group's external legal advisor classifies the chances of a successful outcome in the arbitration as possible.

Additionally, Alperton has commenced ancillary proceedings in the BVI regarding the same dispute. 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. No significant progress has been made in this litigation since it was filed.

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. No significant progress has been made in this litigation since it was filed.

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). No significant progress has been made in this litigation since it was filed.

As of the date of the issuance of these unaudited condensed consolidated interim financial statements, the Group's external legal advisor classifies the chances of a successful outcome in the BVI proceeding as possible.

Share transfer effects

In connection with the Shareholders' Agreement and the share transfer from Alperton to Constellation Overseas, the assets and liabilities with Alperton were extinct on September 30, 2018. Due to these settlements, the Group recorded a negative amount of US$85,555 as acquisition of non-controlling interests reserve (non-cash investing activity) in the Shareholders' Equity, and a reversion of US$43,149 in the non-controlling interests group in the Shareholders' Equity.

(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 initial maturity at the end of the charter agreement period between SBM Espírito do Mar B.V. and Petrobras (2022). In December 2018 the outstanding amount was fully repaid FPSO Capixaba Venture S.A.

(d) As of March 31, 2019 and December 31, 2018, the receivable amounts and the income from Tupi Nordeste Operações Marítimas Ltda., Guará Norte Operações Marítimas Ltda. and Alfa Lula Alto Operações Marítimas Ltda. relates to labor costs reimbursement regarding the operation of the FPSO Cidade de Paraty, FPSO Cidade de Ilhabela, and FPSO Cidade de Maricá, respectively.

(e) As of March 31, 2019 and December 31, 2018 the receivable amount and the income from Guará Norte Holding Ltd., Alfa Lula Alto Holding Ltd. and Beta Lula Central Holding Ltd. relates to a management fee charged by the Group in respect of the operating services rendered to the FPSO Cidade de Ilhabela, FPSO Cidade de Maricá and FPSO Cidade de Saquarema, respectively.

Key management personnel (i) remuneration for the three-month period ended March 31, 2019 and March 31, 2018, is as follows:

	Three-month period ended March 31,	
	2019	2018
Short-term benefits (ii)	1,484	1,294

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

(ii) Short-term benefits mainly refers to salaries, social security contributions, annual leave and profit sharing (payable within twelve months from the year-end date). For the three-month period ended March 31, 2019 and March 31, 2018, the Group did not record profit sharing contribution.

The compensation paid to key management personnel is evaluated on an annual basis, considering the following main factors: individual performance during prior year, market rates and movements and the individual's anticipated contribution to the Group's growth. Members of key management are also eligible to participate in the Group's retirement benefit plans (Note 22).

9 INVESTMENTS

	March 31, 2019							
	Number of shares (thousands)	Ownership interest (%)	Authorized share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Shareholders' equity (deficiency)
Associates:								
FPSO Capixaba Venture S.A.	100	20.00%	82	39,462	20,874	95,228	141,719	(176,621)
SBM Espírito do Mar Inc.	100	20.00%	88	59,943	210,447	19,935	104,815	145,640
Urca Drilling B.V. (1)				104	22,006	498,126	249,518	(725,534)
(Unaudited)	90	15.00%	€90k					
Bracuhy Drilling B.V. (1)				1,452	9,002	202,830	273,713	(466,089)
(Unaudited)	90	15.00%	€90k					
Mangaratiba Drilling B.V. (1)				9	1	44,370	107,552	(151,912)
(Unaudited)	90	15.00%	€90k					
Joint Ventures:								
Tupi Nordeste S.à.r.l.	16,020	20.00%	16,020	1,211,818	(63,059)	517,238	-	631,521
Tupi Nordeste Holding Ltd.	12	20.00%	12	13,995	-	80,892	-	(66,897)
Guará Norte S.à.r.l. (2)	50,020	12.75%	50,020	1,590,637	-	781,494	-	809,143
Guará Norte Holding Ltd. (2)	12	12.75%	12	20,738	-	38,922	-	(18,183)
Alfa Lula Alto S.à.r.l. (2)	65,020	5.00%	65,020	1,732,259	-	1,265,621	-	466,638
Alfa Lula Alto Holding Ltd. (2)	5	5.00%	12	21,460	-	25,072	-	(3,612)
Beta Lula Central S.à.r.l. (2)	65,020	5.00%	65,020	1,660,535	-	1,281,023	-	379,512
Beta Lula Central Holding Ltd. (2)	5	5.00%	12	6,553	-	10,370	-	(3,817)

	December 31, 2018							
	Number of shares (thousands)	Ownership interest (%)	Authorized share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Shareholders' equity (deficiency)
Associates:								
FPSO Capixaba Venture S.A.	100	20.00%	82	8,931	25,210	86,670	113,218	(165,747)
SBM Espírito do Mar Inc.	100	20.00%	88	6,943	240,990	24,661	76,432	146,840
Urca Drilling B.V. (1)				80	22,005	513,061	256,277	(747,253)
(Unaudited)	90	15.00%	€90k					
Bracuhy Drilling B.V. (1)				74	9,001	207,241	282,768	(480,934)
(Unaudited)	90	15.00%	€90k					
Mangaratiba Drilling B.V. (1)				6	1	44,472	111,704	(156,169)
(Unaudited)	90	15.00%	€90k					
Joint Ventures:								
Tupi Nordeste S.à.r.l.	16,020	20.00%	16,020	1,198,397	(37,438)	540,963	-	619,996
Tupi Nordeste Holding Ltd.	12	20.00%	12	10,318	-	71,980	-	(61,662)
Guará Norte S.à.r.l. (2)	50,020	12.75%	50,020	1,621,194	-	819,085	-	802,108
Guará Norte Holding Ltd. (2)	12	12.75%	12	9,047	-	25,119	-	(16,072)
Alfa Lula Alto S.à.r.l. (2)	65,020	5.00%	65,020	1,716,666	-	1,265,681	-	450,985
Alfa Lula Alto Holding Ltd. (2)	5	5.00%	12	11,544	-	29,864	-	(18,320)
Beta Lula Central S.à.r.l. (2)	65,020	5.00%	65,020	1,671,603	-	1,288,052	-	383,551
Beta Lula Central Holding Ltd. (2)	5	5.00%	12	14,121	-	15,248	-	(1,127)

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) for the three-month period ended March 31,					
	2019			2018		
	Net income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	Net income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Associates:						
FPSO Capixaba Venture S.A.	(5,875)	(662)	(6,537)	(24,157)	12	(24,145)
SBM Espírito do Mar Inc.	(1,199)	-	(1,199)	(9,351)	-	(9,351)
Urca Drilling B.V. (1)	549	-	549	(11,281)	-	(11,281)
(Unaudited)	(6,244)	-	(6,244)	(4,189)	-	(4,189)
Bracuhy Drilling B.V. (1)						
(Unaudited)	(2,141)	-	(2,141)	(833)	-	(833)
Mangaratiba Drilling B.V. (1)						
(Unaudited)						
Joint Ventures:						
Tupi Nordeste S.à.r.l.	13,653	(2,129)	11,524	14,821	8,371	23,192
Tupi Nordeste Holding Ltd.	(4,794)	(461)	(5,255)	(32,626)	219	(32,407)
Guará Norte S.à.r.l. (2)	21,964	(5,929)	16,035	18,129	12,408	30,537
Guará Norte Holding Ltd. (2)	(1,778)	(334)	(2,112)	(11,082)	104	(10,978)
Alfa Lula Alto S.à.r.l. (2)	29,910	(14,527)	15,653	26,910	25,011	51,921
Alfa Lula Alto Holding Ltd. (2)	9,421	(211)	9,210	6,605	(2,706)	3,899
Beta Lula Central S.à.r.l. (2)	15,344	(19,384)	(4,040)	14,498	29,903	44,401
Beta Lula Central Holding Ltd. (2)	(580)	(2,104)	(2,683)	(1,486)	(51)	(1,537)

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, 2018	Capital decrease [3]	Share of results	Share of comprehensive income/ (loss)	Impairment	March 31, 2019
Associates:						
FPSO Capixaba Venture S.A.	(33,149)	-	(1,175)	(132)	-	(34,456)
SBM Espírito do Mar Inc.	29,369	-	(239)	(1)	-	29,129
Joint ventures:						
Tupi Nordeste S.à.r.l.	123,999	-	2,731	(426)	-	126,304
Tupi Nordeste Holding Ltd.	(12,332)	-	(956)	(92)	-	(13,380)
Guará Norte S.à.r.l. [2]	102,268	(1,148)	2,800	(756)	-	103,164
Guará Norte Holding Ltd. [2]	(2,049)	-	(227)	(42)	-	(2,318)
Alfa Lula Alto S.à.r.l. [2]	22,549	-	1,495	(712)	-	23,332
Alfa Lula Alto Holding Ltd. [2]	(916)	-	478	(5)	-	(443)
Beta Lula Central S.à.r.l. [2]	19,178	-	767	(969)	-	18,976
Beta Lula Central Holding Ltd. [2]	(56)	-	(29)	(106)	-	(191)
Sub-Total	248,860	(1,148)	5,645	(3,241)	-	250,118
Impairment [4]	(98,860)	-	-	-	(1,258)	(100,118)
Total	150,000	(1,148)	5,645	(3,241)	(1,258)	150,000
Total assets (investments)	198,503					200,788
Total liabilities (accumulated deficit in investments)	(48,503)					(50,788)

	December 31, 2017	Capital decrease [5]	Dividends received	Share of results	Share of comprehensive income/ (loss)	March 31, 2018
Associates:						
FPSO Capixaba Venture S.A.	(15,674)	-	-	(4,831)	2	(20,503)
SBM Espírito do Mar Inc.	21,842	-	-	(1,870)	-	19,972
Joint ventures:						
Tupi Nordeste S.à.r.l.	109,862	(200)		2,964	1,674	114,301
Tupi Nordeste Holding Ltd.	(4,369)	-	-	(6,525)	44	(10,850)
Guará Norte S.à.r.l. [4]	91,206	(1,148)		2,311	1,582	93,952
Guará Norte Holding Ltd. [4]	(353)	-	-	(1,413)	13	(1,753)
Alfa Lula Alto S.à.r.l. [4]	18,695	-	-	1,346	1,251	21,292
Alfa Lula Alto Holding Ltd. [4]	(147)	-	-	330	(135)	48
Beta Lula Central S.à.r.l. [4]	16,074	(300)		725	1,495	17,994
Beta Lula Central Holding Ltd. [4]	245	-	-	(74)	(3)	168
Total	237,381	(1,648)		(7,037)	5,923	234,621
Total assets (investments)	257,923					267,726
Total liabilities (accumulated deficit in investments) [1]	(20,542)					(33,105)

(1) 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.

(2) 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.

(3) In January 2018 and March 2019 the Group received the amount of US$1,148 from Guara Norte S.à.r.l. In March 2018 the Group received the amounts of US$300 from Beta Lula S.à.r.l. In March 2018 the Group received the amount of US$200 from Tupi Nordeste S.à.r.l.

(4) As disclosed in Note 24, on May 28, 2019, the Group confirmed its intention to divest its participation in the FPSO segment, and thus an impairment of US$98,860 was recorded in December, 2018 in connection with the market value of those investments and an additional amount of US$1,258 was recorded on March, 2019 due to changes in investment on the three-months period ended March 31, 2019.

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

<u>FPSO Capixaba</u>

✓ 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.

<u>Urca, Bracuhy and Mangaratiba offshore drilling rigs (Partnership with Sete Brasil)</u>

✓ 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 Serviços de Petróleo 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 Serviços de Petróleo 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 Serviços de Petróleo 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 process in order to settle this issue, which is still in progress. As of March 31, 2019, and on the date of approval of these unaudited condensed consolidated interim financial statements, no new events have occurred that could have changed the progress of said arbitration process.

On April 20, 2016, the Group was informed that Sete Brasil's Extraordinary General Meeting held at that date approved Sete Brasil's petition for judicial recovery, which has been approved by the General Creditors Meeting of Sete Brasil and ratified in court in November 2018.

The unaudited interim financial statements of Urca, Bracuhy and Mangaratiba for the three-month periods ended March 31, 2019 and 2018 and the audited financial statements for the year ended December 31, 2018 and 2017 have not been issued to date.

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

<u>FPSO Cidade de Paraty</u>

- ✓ 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 offshore 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.

<u>FPSO Cidade de Ilhabela</u>

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

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

<u>FPSO Cidade de Maricá</u>

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

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

<u>FPSO Cidade de Saquarema</u>

- ✓ 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.

10 PROPERTY, PLANT AND EQUIPMENT

	Drillships			Offshore drilling rigs					Onshore drilling rigs, equipment and bases [b]	Corporate	Total
	Brava Star	Amaralina Star	Laguna Star	Atlantic Star	Alpha Star	Gold Star	Lone Star	Olinda Star			
Cost											
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	484	3,890	3,589	129	-	172	146	752	1,484	205	10,851
Disposals	-	-	-	-	-	-	-	-	-	(90)	(90)
Currency translation adjustments	-	-	-	-	-	-	-	-	(375)	(104)	(479)
Balance as of March 31, 2018	699,241	696,453	680,810	352,442	744,143	591,436	714,874	579,273	166,405	27,026	5,252,103
Balance as of December 31, 2018	699,671	698,277	696,532	352,510	747,879	591,489	714,953	581,832	148,193	24,196	5,255,532
Additions	49	-	9	5	-	-	-	-	21	-	84
Transfers	-	-	-	-	-	-	-	-	-	-	-
Currency translation adjustments	-	-	-	-	-	-	-	-	(3,573)	(1,351)	(4,924)
Balance as of March 31, 2019	699,720	698,277	696,541	352,515	747,879	591,489	714,953	581,832	144,641	22,845	5,250,692
Accumulated depreciation and Impairment											
Balance as of December 31, 2017	(73,865)	(140,014)	(135,843)	(151,502)	(210,301)	(187,089)	(219,821)	(330,487)	(112,020)	(22,622)	(1,583,564)
Depreciation	(8,064)	(8,760)	(6,938)	(3,751)	(7,216)	(6,972)	(8,812)	(5,033)	(1,860)	(259)	(57,665)
Disposals	-	-	-	-	-	-	-	-	-	89	89
Currency translation adjustments	-	-	-	-	-	-	-	-	323	33	356
Balance as of March 31, 2018	(81,929)	(148,774)	(142,781)	(155,253)	(217,517)	(194,061)	(228,633)	(335,520)	(113,557)	(22,759)	(1,640,784)
Balance as of December 31, 2018	(225,092)	(296,740)	(301,768)	(166,755)	(533,963)	(371,329)	(455,986)	(325,233)	(115,743)	(20,874)	(2,813,483)
Depreciation	(6,840)	(7,411)	(6,842)	(3,847)	(3,742)	(4,759)	(6,004)	(7,305)	(1,164)	(142)	(48,056)
Disposals	-	-	-	-	-	-	-	-	54	-	54
Currency translation adjustments	-	-	-	-	-	-	-	-	3,433	1,358	4,791
Balance as of March 31, 2019	(231,932)	(304.151)	(308.610)	(170.602)	(537.705)	(376.088)	(461.990)	(332.538)	(113.420)	(19.658)	(2.856.694)
Property, plant and equipment, net [a]											
December 31, 2018	474,579	401.537	394.764	185.755	213.916	220.160	258.967	256.599	32.450	3.322	2.442.049
March 31, 2019	467,788	394.126	387.931	181.913	210.174	215.401	252.963	249.294	31.221	3.187	2.393.998
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 March 31, 2019, the amount of US$28,020 (US$36,114 as of December 31, 2018) refers to the onshore drilling rigs.

Impairment

During the year ended December 31, 2018 due to the expiration of certain of its charter and service-rendering agreements the Group evaluated its fleet of drilling units for impairment. During such evaluation, the Group has identified that the impairment loss of some drilling units previously recognized has decreased. Consequently, an impairment reversal was recorded.

Onshore drilling rigs

Except for the QG-III and QG-IV units, 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. For the QG-III and QG-IV units, the Group estimated its fair value based on the revaluated historical cost. In calculating the fair value less costs of disposal of these drilling units as of December 31, 2018, the Group recognized a net impairment related to the aggregated result of three onshore drilling rigs in the amount of US$6,905.

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 unit, which utilized significant unobservable inputs. As of December 31, 2018, the Group recognized impairment losses related to the Brava Star and Laguna Star drillships, in the total aggregate amount of US$33,873 and a reversal of impairment related to the Amaralina Star drillship, Alpha Star, Gold Star, Lone Star and Olinda Star offshore drilling rigs in the total aggregate amount of US$260,215. Net effect of US$226,342 as of December 31, 2018.

11 LOANS AND FINANCINGS

Financial institution	Funding type	Objective	Beginning period	Maturity(1)	Contractual interest rate (per annum)	Effective interest rate (per annum)	Currency	March, 31 2019	December 31, 2018
HSBC, BAML and Citibank (2)	Senior Unsecured Notes ("Corporate Bond")	Prepay working capital loans	Nov/2012	Nov/2019	6.25%	6.86%	U.S. dollar	100,599	98,970
HSBC, BAML and Citibank (2)	Senior Unsecured Notes ("New Notes)	Refinance Corporate Bond	Jul/2017	Nov/2024	9.00% + 0.50%	10.6%	U.S. dollar	641,307	625,411
						Subtotal - fixed interest rate		741,906	724,381
Bradesco	Loan	Working capital	Sep/2014	Dec2018	Libor+6.80%	9.16%	U.S. dollar	104,856	102,568
Bradesco	Loan	Working capital	Jan/2015	Dec/2018	Libor+6.50%	8.86%	U.S. dollar	52,349	51,242
					Subtotal - variable interest rate loans			157,205	153,810
BNP, Citi and ING (3) and The Norwegian Ministry of Trade and Industry ("MTI")	Financing	Amaralina Star drillship construction	May/2012	Dec/2018	Libor+2.75%	3.59%	U.S. dollar	131,101	129,484
BNP, Citi and ING ((3) and The Norwegian Ministry of Trade and Industry ("MTI")	Financing	Laguna Star drillship construction	May/2012	Dec/2018	Libor+2.75%	3.50%	U.S. dollar	135,386	133,716
BNP, Citi, ING and DNB and Eksportkreditt Norge ("EKN")	Financing	Brava Star drillship construction	May/2015	Sep/2020	Libor+2.00%	3.97%	U.S. dollar	338,189	333,809
					Subtotal - variable interest rate financings			604,676	597,009
							Total	1,503,787	1,475,200
							Current	1,503,787	1,475,200

(1) As described in Note 1, on December 6, 2018, the RJ Debtors filed for a RJ, which in accordance with the terms of the loans and financings agreements represents an event of default. Accordingly, the amounts owed to the lenders become due and payable, being the payments suspended by the RJ until the approval of the restructuring plan, which established new maturity dates.

(2) Jointly referred to as the "Bookrunners".

(3) Jointly referred to as the "Leader arrangers".

a) Changes in loans and financings

	Three-month period ended March 31,	
	2019	2018
Balance as of January 1	1,475,200	1,655,183
Principal repayment	-	(48,751)
Transaction costs paid	-	(10,508)
Total payments	-	(59,259)
Interest charged through profit and loss	26,614	27,398
Transaction cost charged through profit and loss	1,230	2,178
Debt discounts charged through profit and loss	743	84
Financial expenses on loans and financings	28,587	29,660
Balance as of March 31,	1,503,787	1,625,584

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.

During 2018 the Group signed a number of amendments to the working capital credit loan agreements with Bradesco to postpone its maturity. The latest amendment was on November 30, 2018, extending the maturity date to December 8, 2018, but due to the RJ process, the payment was suspended until the approval of the restructuring plan, which established new maturity dates.

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. Due to the RJ process, the interest payment was suspended until the approval of the restructuring plan, which established new conditions and maturity dates. The Group paid transaction costs in the aggregate amount of US$23,524.

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.

During November 2018 the Group signed a number of amendments to Amaralina Star Facility to postpone its maturity. The latest amendment was on November 30, 2018, extending the maturity date to December 8, 2018, but due to the RJ process, the payment was suspended until the approval of the restructuring plan, which established new maturity dates.

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 was scheduled to occur on December 8, 2018, but due to the RJ process, the payment was suspended until the approval of the restructuring plan, which established new maturity dates.

b) Loans and financings long term amortization schedule

Year ending December 31,	Gross amount	Transaction costs	Debt discounts	Net amount
2020	307,263	(3,221)	-	304,042
2021	28,565	(3,226)	-	25,339
2022	33,857	(3,226)	-	30,631
2023	37,982	(3,234)	-	34,748
2024	478,120	(2,774)	-	475,346
Total	885,787	(15,673)	-	870,114

Due to the RJ process, the amortizations were suspended until the approval of the restructuring plan, which established new maturity dates and amortization schedules.

As described in Note 1, on December 6, 2018, the RJ Debtors filed for a RJ, which in accordance with the terms of the loans and financings represents an event of default. Accordingly, the amounts owed to the lenders become due and payable, being the payments suspended by the RJ law until the approval of the restructuring plan, which established new maturity dates. Due to this event and as established in IAS 1 – *Presentation of Financial Statements*, the Group reclassified the non-current portion of its loans and financings to current liabilities. This reclassification occurred not as demand payment, but because of the breach as of March 31, 2019 and December 31, 2018, when the Group did not have an unconditional right to defer its settlement for at least twelve months after that date.

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, 2018, consist of Debt Service Coverage Ratio, which requires a minimum ratio of Net Operating Cash Flow to Debt Service.

The Debt Service Coverage Ratio is assessed quarterly for dividends distribution intention and semi-annually for compliance with such financial covenants in case. Such covenant is assessed for dividend distribution purposes and as of December 31, 2018, The Group did not distribute dividends.

The indenture governing the Corporate Bond as of December 31, 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 consolidated financial statements of the Company as of December 31, 2018, Amaralina, Laguna and financial statements of Brava within 180 days after the end of the fiscal year, accompanied by the unqualified independent auditor's reports. The Group failed to comply with these non-financial covenants. The Group understands that the existence of this failure does not impair the liens on the collateral and has not had and cannot be reasonably expected to have a material adverse effect on its financial and liquidity position. Additionally, due to the RJ filing all of the Group's debt was accelerated and due in payable. However, the court proceedings and the PSA prevents the lenders from enforcing it. Therefore, after the RJ filing, the Group understands that the possibility of defaults due to non-compliance with covenants is no longer an additional risk.

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 the Project Financing related to Amaralina Star, Laguna Star and Brava Star drillships.

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.

	Three-month period ended March 31,	
	2019	2018
Balance as of January 1	1,035	4,391
Effect of foreign exchange variations	(6)	(6)
Balance as of March 31	1,029	4,385

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 March 31, 2019, 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:

	Three-month period ended March 31,	
	2019	2018
Balance as of January 1	1,170	1,222
Additions	38	16
Reversals	(4)	(2)
Foreign exchange rate variations	(8)	(6)
Balance as of March 31	1,196	1,230

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 unaudited 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$41,327 as of March 31, 2019 (US$41,837 as of December 31, 2018), tax lawsuits in the amount of US$29,389 as of March 31, 2019 (US$29,217 as of December 31, 2018) and civil lawsuits in the amount of US$13 as of March 31, 2019 (US$13 as of December 31, 2018).

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

i. On September 15, 2010, Serviços de Petróleo 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. Serviços de Petróleo 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 March 31, 2019, the estimated amount involved is US$5,006 (US$4,959 as of December 31, 2018).

On January 22, 2015, Serviços de Petróleo 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 Serviços de Petróleo to make tax payments, due to the fact that the RFB considered that Serviços de Petróleo made use of improper tax credits aiming to reduce its PIS and COFINS obligations. On February 23, 2015, Serviços de Petróleo argued, on appeal, in order to contest RFB’s tax assessment. As of March 31, 2019, the estimated amount involved is US$22,457 (US$22,550 as of December 31, 2018).

ii. In November 2018, Transocean Offshore Deepwater Drilling Inc. and Transocean Brasil Ltda. (hereinafter together referred to as “Transocean”) filed a claim against Serviços de Petróleo and Brava Star Ltd., accusing both entities of infringing Transocean’s dual-activity drilling technology patent. On November 19, 2018, all preliminary injunctions requested by Transocean have been rejected by the Third Business Court of Rio de Janeiro and a mediation and conciliation hearing occurred on February 26, 2019, and a new hearing occurred on April 1, 2019, without an agreement between the parties. Transocean appealed solely to carry on an inspection on Brava Star drillship limited to the examination of some pre-determined items related to the dual-activity drilling technology patent and the injunction was granted in this regard. The inspection occurred on January 18, 2019.

As of the date of the issuance of these unaudited condensed consolidated interim financial statements, the Group’s management cannot reliably estimate the amount involved, and the external legal advisor classifies the chances of win such claim as possible.

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

<u>*Petrobras withholding taxes*</u>

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 SHAREHOLDERS' EQUITY

a) Share capital

As of March 31, 2019 and December 31, 2018, the Company's share capital amounts to US$63,200, comprised by 189,227,364 ordinary shares, with no par value, as follows:

	March 31, 2019 and December 31, 2018						
	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	186,808,445	100.00%	2,418,919	100.00%	63,200	766,561	829,761
Total shares			189,227,364				

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, 2018, 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) Acquisition of non-controlling interests reserve

As disclosed in Note 8.a, due to the transfer of Amaralina and Laguna shares from Alperton to Constellation Overseas, a negative amount of US$85,555 was recorded as "Acquisition of non-controlling interests reserve", in the Shareholders' Equity.

d) 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 three-month periods ended March 31, 2019 and 2018, the Company did not pay dividends.

e) Other Comprehensive Items (OCI)

Cash flow hedging reserve

The cash flow hedging reserve as of March 31, 2018 consists of the effective portion of cash flow hedging instruments related to hedged financing transactions (Note 18). The contracts of the hedging instruments were terminated in the year ended December 31, 2018.

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.

Changes in Other Comprehensive Items

Changes in comprehensive income for the three-month period ended March 31, 2019 and 2018 are as follows:

	Cash flow hedge fair value adjustments attributable to					
	Owners of the Group	Non-controlling interests	Total	Share of investments' other comprehensive loss	Foreign currency translation adjustments	Total
Balance as of December 31, 2017	1,584	(376)	1,208	(7,627)	(10,337)	(16,756)
Fair value adjustments on:						
Derivative agreements	3,273	309	3,582	-	-	3,582
Joint ventures' derivative agreements	-	-	-	6,002	-	6,002
Exchange differences:						
On investments arising during the period	-	-	-	(79)	-	(79)
Arising during the period	-	-	-	-	(555)	(555)
Balance as of March 31, 2018	4,857	(67)	4,790	(1,704)	(10,892)	(7,806)
Balance as of December 31, 2018	-	-	-	878	(21,377)	(20,499)
Fair value adjustments on:						
Joint ventures' derivative agreements	-	-	-	(2,863)	-	(2,863)
Exchange differences:						
On investments arising during the period	-	-	-	(378)	-	(378)
Arising during the period	-	-	-	-	1,139	1,139
Balance as of March 31, 2019	-	-	-	(2,363)	(20,238)	(22,601)

f) Non-controlling interests

As disclosed in Note 8.a, due to the transfer of Amaralina and Laguna shares from Alperton to Constellation Overseas, the amount of US$43,149 as non-controlling interests was reverted in the Shareholders' Equity.

g) Profit (loss) per share

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

	Three-month period ended March 31,	
	2019	2018
Profit/(Loss) attributable to controlling interests	(80,590)	34,928
Weighted average number of ordinary shares for calculation purposes (thousands of shares) (*)	189,227	189,227
Basic and diluted (loss) profit per share (in U.S. dollars – US$)	(0,43)	0.18

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

15 NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements. As of March 31, 2019 and 2018, Petrobras has accounted for 19% and 93%, respectively, of total revenues.

Net operating revenue is presented after the following items:

	Three-month period ended March 31,	
	2019	2018
Gross operating revenue	34,477	181,646
Taxes levied on revenue:		
Social Integration Program (PIS) (i)	(180)	(480)
Social Investment Program (COFINS) (i)	(827)	(2,211)
Services Tax (ISS) (i)	(220)	(581)
Good and Service Tax (GST) (ii)	(142)	(1,043)
Withholding Income tax (IRRF)	(1,170)	(3,123)
Net operating revenue	31,938	174,208

(i) Taxes levied on revenues are applicable only to the revenues generated by Serviços de Petróleo.
(ii) Refers to the indirect tax in India.

16 COST OF SERVICES AND OPERATING EXPENSES

	Three-month period ended March 31,					
	2019			2018		
Costs and expenses by nature	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, charges and benefits	(17.748)	(3.417)	(21.165)	(28,795)	(3,941)	(32,736)
Depreciation	(47.945)	(111)	(48.056)	(41,481)	(154)	(41,635)
Materials	(6.980)	-	(6.980)	(7,879)	-	(7,879)
Maintenance	(9.508)	-	(9.508)	(8,947)	-	(8,947)
Insurance	(850)	-	(850)	(2,807)	-	(2,807)
Other [(1)/(2)]	(3.635)	(7.285)	(10.920)	(4,312)	(2,661)	(6,973)
Total	(86,666)	(10,813)	(97,479)	(94,221)	(6,756)	(100,977)

(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.

17 OTHER EXPENSES, NET

	Three-month period ended March 31,	
	2019	2018
Contractual fee	425	425
Revenue from sales of PP&E	-	18
Property rental	33	20
Onerous contract reversion	9,957	930
Other	1	66
Other income	10,416	1,459
Impairment loss recognized on investments (Note 9)	(1,258)	-
Provision for onerous contract (Note 1c)	(1,134)	-
Cost of PP&E sold	-	(1)
Other	-	(15)
Other expenses	(2,392)	(16)
Total other income, net	8,024	1,443

18 FINANCIAL EXPENSES, NET

	Three-month period ended March 31,	
	2019	2018
Interest on short-term investments	774	645
Financial income from related parties	6	2,076
Other financial income	234	223
Financial income	1,014	2,944
Financial expenses on loans and financings (Note 11.a)	(28,587)	(29,660)
Derivative expenses	-	(380)
Financial expenses from related parties	(97)	(304)
Other financial expenses	(764)	(928)
Financial expenses	(29,448)	(31,272)
Foreign exchange variation loss, net	156	(233)
Financial expenses, net	(28,278)	(28,561)

19 TAXES

Most of the Group's entities are located in jurisdictions that are exempt from corporate income tax except for Serviços de Petróleo and its subsidiary QGOG India. 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.

Serviços de Petróleo and QGOG India, two of the Company's subsidiaries, operates in Brazil and India, respectively, and the related taxes and contributions are as follows:

a) Recoverable taxes

	March 31, 2019	December 31 2018
Income tax (IRPJ) and social contribution on net income (CSLL) (i)	8,784	9,923
Social Security Contribution (INSS) (ii)	807	1,361
Goods and Services Tax - GST(iii)	4,674	3,835
Other	1,379	756
Total	15,644	15,875
Current	15,620	12,816
Non-current	24	3,059

(i) Mainly refers to withholding taxes on revenues that are compensated with other federal taxes.
(ii) Maintenance revenues generated by Serviços de Petróleo are subjected to Social Security Contribution over Gross Revenue (*Contribuição Previdenciária sobre a Receita Bruta* - CPRB), instead of Serviços de Petróleo being charged of Social Contribution over Payroll (INSS).
(iii) Refers to taxes on supply of goods and services in India. The recoverable GST amounts refer to credits on the acquisition of goods and services.

b) Taxes payables

	March 31, 2019	December 31 2018
Services Tax (ISS)	626	426
Income tax (IRPJ) and social contribution (CSLL)	224	302
State VAT (ICMS)	-	24
Goods and Services Tax - GST[i]	2,918	1,727
Total	3,768	2,479

(i) GST payables refer to taxes levied on services rendered in India.

c) Deferred tax assets

	March 31, 2019	December 31, 2018
Income tax (IRPJ) and social contribution (CSLL) (*)	12,093	12,168
Total	12,093	12,168

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

d) Effect of income tax results

The tax rate used for the three-month periods ended March 31, 2019 and 2018 reconciliations below refers to the corporate nominal tax rate of 34% in accordance with Brazilian tax legislation, jurisdiction in which Serviços de Petróleo (Brazilian subsidiary) operates, the corporate nominal tax rate of 20% in accordance with British tax legislation, jurisdiction in which QGOG 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 unaudited condensed consolidated interim statement of operations are reconciled from the nominal rate to the effective rate as follows:

	Three-month period ended March 31,	
	2019	2018
Profit/(loss) before taxes	(80,150)	24,256
Income tax and social contribution at nominal rate (*)	(224)	(1,068)
Adjustments to derive effective tax rate:		
Non-deductible expenses	(4)	114
Other	(212)	176
Income tax expense recognized in profit or loss	(440)	(778)
Current taxes	(484)	(1,263)
Deferred taxes	44	485

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

20 FINANCIAL INSTRUMENTS

a) General considerations

Details on the Group's financial restructuring plan and capital management are provided in Note 1.

The Group's main financial instruments are as follows:

		March 31, 2019		December 31, 2018	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	FVTPL	107,925	107,925	109,406	109,406
Short-term investments	FVTPL	13,904	13,904	26,047	26,047
Restricted cash	FVTPL	42,760	42,760	42,553	42,553
Trade and other receivables	Amortized cost	31,961	31,961	32,410	32,410
Receivables from related parties	Amortized cost	1,333	1,333	991	991
Financial liabilities					
Loans and financings	Amortized cost	1,503,787	992,276	1,475,200	1,040,290
Trade and other payables	Amortized cost	35,489	35,489	33,150	33,150
Payables to related parties	Amortized cost	279	279	188	188

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 unaudited 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.

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.

<u>Financial instruments fair value measurement</u>

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 (reclassified to current liabilities) 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 (reclassified to current liabilities) on a project-by-project basis. Such financings are arranged as required to support the Group's operations and growth plans.

As of March 31, 2019 and December 31, 2018, the Group presents net working capital deficiency in the amounts of US$1,380,815 and US$1,346,593, respectively, mainly due to the reclassification of part of its inventories to non-current assets (Note 7), working capital loans originally maturing in July 2018, the current portion of its long-term loans and financings reclassified to current liabilities as of March 31, 2019 (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 understands that the successful implementation of the measures set forth in the Amended and Restated RJ Plan, will enable it to comply with its financial commitments and maintain its operational continuity.

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:

March 31, 2019

Period	Trade payables	Loans and financings	Derivatives	Payables to related parties	Total
2019	35,489	663,524	-	279	699,292
2020	-	372,114	-	-	372,114
2021	-	80,894	-	-	80,894
2022	-	84,117	-	-	84,117
2023	-	85,388	-	-	85,388
After 2024	-	536,274	-	-	536,274
Total	35,489	1,822,311	-	279	1,858,079

Due to the RJ proceedings disclosed in Note 1, the amortizations were suspended until the approval of the restructuring plan, which established new maturity dates.

December 31, 2018

Period	Trade payables	Loans and financings	Derivatives	Payables to related parties	Total
2019	33,150	707,283	-	188	740,621
2020	-	372,125	-	-	372,125
2021	-	80,894	-	-	80,894
2022	-	84,117	-	-	84,117
2023	-	85,388	-	-	85,388
After 2024	-	536,274	-	-	536,274
Total	33,150	1,866,081	-	188	1, 899,419

Due to the RJ proceedings disclosed in Note 1, the amortizations were suspended until the approval of the restructuring plan, which established new maturity dates.

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, short-term investments, restricted cash, trade and other 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 three-month period ended March 31, 2019 and 2018, Petrobras has accounted for 19% and 93%, respectively, of total revenues (Note 15). 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 managed such risk by maintaining an appropriate mix between fixed and variable rate borrowings and by using interest rate swap instruments (until the last quarter of 2018). The Group is exposed to fluctuations in US$ LIBOR interest rates charged on its loans and financings (Note 11). The Group (until the last quarter of 2018) managed the interest rate risk related to the project financing agreements by eliminating variable-to-fixed interest rate swaps.

Due to the current restructuring debt negotiations, the Group and the creditors agreed to unwind the existing swaps due to the new structure of the debts and new contract terms and conditions to be agreed. The Group will reassess the interest rate risks after the conclusion of the negotiations.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for 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) 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	March 31, 2019	Scenario I (i)	Scenario II (ii)
		Increase/ (decrease) in P&L	
Variable interest rate loans	157,205	(157)	157
Variable interest rate financings	604,676	(605)	605
Total	761,881	(762)	762

(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:

	March 31, 2019	December 31, 2018
Loans and financings [(a)]	1,503,787	1,475,200
Cash transactions [(b)]	(164,589)	(178,006)
Net debt [(c)]	1,339,198	1,297,194
Shareholders' equity [(d)]	1,336,811	1,419,504
Net debt on shareholders' equity plus net debt [(c)] ÷ [(c) + (d)]	50%	48%

(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.

21 INSURANCE

As of March 31, 2019 and December 31, 2018, major assets or interests covered by insurance policies and their respective coverage amounts are summarized below:

	March 31, 2019	December 31, 2018
Civil liability	1,795,500	1,795,500
Operating risks	1,984,316	1,994,534
Operational headquarter and others	19,228	30,632
Total	3,799,044	3,820,666

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

22 PENSION PLAN

The Group, through its subsidiary Serviços de Petróleo, 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 Serviços de Petróleo, 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 Serviços de Petróleo. Therefore, Serviços de Petróleo's only obligation to the Pension Plan is to make its specified contributions.

For the three-month period ended March 31, 2019 and 2018, contributions payable by Serviços de Petróleo at rates specified by the plan rules amounts to US$1 and US$21, respectively.

23 SEASONALITY

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

24 SUBSEQUENT EVENTS

FPSO Divestiture

On May 28, 2019, following the approval of its business plan, the Group confirmed its intention to divest in the FPSO segment in order to be prepared for future potential investments. Therefore, since that date the investment in the related associates and joint ventures is accounted for as available for sale.

Laguna Star offshore drilling rig charter and service-rendering agreements

On July 4, 2019, the Group announced that the Laguna Star drillship has been awarded a contract with the consortiums of BM-S-11, BM-S-11 and Production Individualization Agreement (*Acordo de Individualização de Produção* - AIP) of Lula, operated by Petrobras. The contract has a duration of 730 days. The operations will be performed in the Santos Basin, located offshore of Brazil, and operations under the contract are expected to commence by the end of October 2019.

QG-VIII onshore drilling rig charter and service-rendering agreements

On July 4, 2019, the Group signed an agreement to render drilling services for Eneva S.A. with the onshore drilling rig QG-VIII. The purpose of the agreement is to drill 3 oil wells in the Azulão Field with an expected duration of 90 days. Operations are expected to start in August 2019.

Rights Offering

On July 17, 2019 the Company announced that it will distribute to eligible holders of its 9.000% Cash / 0.500% PIK Senior Secured Notes due 2024 (the "existing 2024 Notes"), on a pro rata basis, non-transferable subscription rights (the "Subscription Rights") to purchase their pro rata share of up to U.S.$27 million in aggregate principal amount of the Company's 10.00% PIK / Cash Senior Secured First Lien Tranche due 2024 (the "First Lien Tranche"), together with the right to receive the corresponding principal amount of the Second Lien Tranche and the Third Lien Tranche. The offering (the "Rights Offering") of the First Lien Tranche through the Subscription Rights is being made solely in accordance with the rights offering memorandum, dated July 17, 2019 (as amended or supplemented from time to time). The Rights Offering and the issuance of the First Lien Tranche are being conducted as part of the Company's judicial reorganization plan.

Alpha Star, Gold Star and Lone Star offshore drilling rig charter and service-rendering agreements

On July 22, 2019 the Group announced that three of its drilling rigs, Alpha Star, Gold Star, and Lone Star, have been awarded new contracts with Petrobras for two years. The drilling activities will be performed offshore of Brazil and operations under each contract are expected to commence by January 2020.

25 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved by the Company's management and authorized for issue on July 29, 2019.