



Constellation Oil Services Holding S.A.

Consolidated interim financial information together with the report on review
As of March 31, 2022

Atendimento Prisma



Contents

Report on review of consolidated interim financial information	3
Consolidated interim financial information	5
Notes to the consolidated interim financial information for three months period than ended March 31, 2022 and March 31, 2021	11

Atendimento Prisma

Report on review of consolidated interim financial information

Grant Thornton Auditores Independentes Ltda.

Rua Voluntários da Pátria, 89 | 5º andar | Botafogo
Rio de Janeiro | RJ | Brasil

T +55 21 3512.4100

To the
Shareholders, Directors and Management of
Constellation Oil Services Holding S.A.
Luxembourg

Introduction

We have reviewed the accompanying consolidated balance sheet of Constellation Oil Services Holding S.A. ("Company") as of March 31, 2022, and the related statements of income, comprehensive income, changes in equity and cash flows for the three-month period ended in this date, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with International Accounting Standards 34 Interim Financial Reporting ("IAS 34"), issued by the International Accounting Standards Board ("IASB"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at March 31, 2022, and of its financial performance and its cash flows for the three month period then ended in accordance with International Financial Reporting Standards (IFRS).



Emphasis of matter

Subsequent liquidity and financial restructuring aspects

We draw attention to Note 1.I to the consolidated interimfinancial statements, which informs that, a Plan Support Agreement, a Restructuring Term-Sheet and other relevant documents were signed on March 24, 2022 and on June 10, 2022, the Group, of which the Company is part, has entered into Amended and Restated Credit Agreements and also into new arrangements with its creditors that involved a conversion of part of the debt held by some creditors into the share capital of the mother Company, with the dilution of original shareholders (the "Restructuring Documents"). Our conclusion is not qualified in this matter.

Rio de Janeiro, August 10, 2022

A handwritten signature in blue ink, appearing to read "Marcio Romulo Pereira".

Marcio Romulo Pereira
Partner

Grant Thornton Auditores Independentes Ltda.

Atendimento Prisma

CONSTELLATION OIL SERVICES HOLDING S.A.
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT
 OF FINANCIAL POSITION AS OF MARCH 31, 2022
 (Amounts expressed in thousands of U.S. dollars - US\$'000)**

<u>ASSETS</u>	<u>Note</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>
CURRENT ASSETS			
Cash and cash equivalents	3	63,600	76,306
Short-term investments	4	52	4,715
Restricted cash	5	19,200	19,198
Trade and other receivables	6	48,454	45,666
Inventories	7	41,529	36,840
Receivables from related parties	8	-	-
Recoverable taxes	18.a	17,609	14,516
Deferred mobilization costs		4,138	4,175
Other current assets		20,842	12,230
Total current assets		<u>215,424</u>	<u>213,646</u>
NON-CURRENT ASSETS			
Inventories	7	139,912	133,801
Recoverable taxes	18.a	36	-
Deferred tax assets	18.c	19,224	16,415
Deferred mobilization costs		3,371	1,547
Other non-current assets		9,033	6,689
Property, plant and equipment, net	9	1,913,139	1,933,561
Total non-current assets		<u>2,084,715</u>	<u>2,092,013</u>
TOTAL ASSETS		<u><u>2,300,139</u></u>	<u><u>2,305,659</u></u>

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, 2022
 (Amounts expressed in thousands of U.S. dollars - US\$'000)**

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	<u>Note</u>	<u>March 31, 2022</u>	<u>December 31, 2021</u>
CURRENT LIABILITIES			
Loans and financings	10	142,775	117,113
Payroll and related charges		15,252	16,175
Trade and other payables		59,977	54,644
Payables to related parties	8	191	193
Taxes payables	18.b	1,330	1,786
Provisions	11	873	745
Deferred revenues		7,964	6,963
Provision for onerous contract		1,671	1,671
Other current liabilities		8,584	7,007
Total current liabilities		<u>238,617</u>	<u>206,297</u>
NON-CURRENT LIABILITIES			
Loans and financings	10	1,823,931	1,816,830
Deferred revenues		11,609	4,304
Provision for onerous contract		227	-
Other non-current liabilities		4,459	2,825
Total non-current liabilities		<u>1,840,226</u>	<u>1,823,959</u>
TOTAL LIABILITIES		<u>2,078,843</u>	<u>2,030,256</u>
SHAREHOLDERS' EQUITY			
Share capital	13.a	981,200	981,200
Transaction costs on issuance of shares		(9,721)	(9,721)
Reserves	13.b/d	(134,379)	(145,077)
Accumulated losses		(615,804)	(550,999)
TOTAL SHAREHOLDERS' EQUITY		<u>221,296</u>	<u>275,403</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>2,300,139</u>	<u>2,305,659</u>

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, 2022**

(Amounts expressed in thousands of U.S. dollars - US\$'000, except per share amounts)

	Note	Three-month period ended March 31,	
		2022	2021
NET OPERATING REVENUE	14	87,227	77,612
COST OF SERVICES	15	<u>(101,350)</u>	<u>(93,013)</u>
GROSS LOSS		(14,123)	(15,401)
General and administrative expenses	15	(17,617)	(8,796)
Other income	16	101	4,126
Other expenses	16	<u>-</u>	<u>(812)</u>
OPERATING LOSS		(31,639)	(20,883)
Financial income	17	339	344
Financial expenses	17	(32,924)	(30,338)
Foreign exchange variation income, net	17	<u>(378)</u>	<u>(64)</u>
FINANCIAL EXPENSES, NET		(32,963)	(30,058)
LOSS BEFORE TAXES		(64,602)	(50,941)
Taxes	18.d	<u>(203)</u>	<u>(2,817)</u>
LOSS FOR THE PERIOD		<u><u>(64,805)</u></u>	<u><u>(53,758)</u></u>
Loss per share (in U.S. dollars - US\$)			
Basic		(0.02)	(0.02)
Diluted		(0.02)	(0.02)

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, 2022**
(Amounts expressed in thousands of U.S. dollars - US\$'000)

	Three-month period ended March 31,	
	2022	2021
LOSS FOR THE PERIOD	(64,805)	(53,758)
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	10,698	(8,135)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(54,107)	(61,893)
Comprehensive income attributable to:		
Controlling interests	(54,107)	(61,893)

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

Atendimento Prisma

CONSTELLATION OIL SERVICES HOLDING S.A.
**UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2022
 (Amounts expressed in thousands of U.S. dollars - US\$'000)**

	Share capital	Transaction costs on issuance of shares	Reserves				Total reserves	Accumulated losses	Total shareholders' equity
			Legal	Share of investments' other comprehensive income / (loss)	Acquisition of non-controlling interest in subsidiaries	Foreign currency translation adjustments			
BALANCE AS OF DECEMBER 31, 2020	981,200	(9,721)	5,683	(2,436)	(85,555)	(56,819)	(139,127)	(553,731)	278,621
Loss for the period	-	-	-	-	-	-	-	(53,758)	(53,758)
Other comprehensive loss for the period	-	-	-	-	-	(8,135)	(8,135)	-	(8,135)
Total comprehensive loss for the period	-	-	-	-	-	(8,135)	(8,135)	(53,758)	(61,893)
BALANCE AS OF MARCH 31, 2021	<u>981,200</u>	<u>(9,721)</u>	<u>5,683</u>	<u>(2,436)</u>	<u>(85,555)</u>	<u>(64,954)</u>	<u>(147,262)</u>	<u>(607,489)</u>	<u>216,728</u>
BALANCE AS OF DECEMBER 31, 2021	981,200	(9,721)	5,683	(2,436)	(85,555)	(62,769)	(145,077)	(550,999)	275,403
Loss for the period	-	-	-	-	-	-	-	(64,805)	(64,805)
Other comprehensive income for the period	-	-	-	-	-	10,698	10,698	-	10,698
Total comprehensive loss for the period	-	-	-	-	-	10,698	10,698	(64,805)	(54,107)
BALANCE AS OF MARCH 31, 2022	<u>981,200</u>	<u>(9,721)</u>	<u>5,683</u>	<u>(2,436)</u>	<u>(85,555)</u>	<u>(52,071)</u>	<u>(134,379)</u>	<u>(615,804)</u>	<u>221,296</u>

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, 2022
 (Amounts expressed in thousands of U.S. dollars - US\$'000)**

	Note	Three-month period ended March 31,	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(64,805)	(53,758)
Adjustments to reconcile profit for the period to net cash provided by operating activities:			
Depreciation of property, plant and equipment	9/15	37,581	36,817
Loss (gain) on disposal of property, plant and equipment, net	9	19	127
Recognition of deferred mobilization costs		1,997	1,752
Recognition of deferred revenues, net of taxes levied		(3,072)	(2,934)
Financial expenses on loans and financings	10.a/17	32,763	30,290
Provision/ (Reversal) of onerous contract, net	16	-	-
Other financial expenses (income), net	17	200	(233)
Recognition (reversal) of provisions		128	(241)
Taxes	18.d	203	2,817
Decrease/(increase) in assets:			
Trade and other receivables		(2,788)	1,413
Receivables from related parties		-	5
Inventories		(10,800)	(874)
Recoverable taxes		(3,129)	(1,407)
Deferred taxes		(2,809)	-
Deferred mobilization costs		(3,784)	(3,667)
Other assets		(11,161)	(163)
Increase/(decrease) in liabilities:			
Payroll and related charges		(923)	1,014
Trade and other payables		5,333	6,411
Payables to related parties		(2)	4
Taxes payables		1,261	46
Deferred revenues		11,378	8,129
Other liabilities		1,344	(381)
Cash used in operating activities		(11,066)	25,167
Income tax and social contribution paid		(1,920)	(4,260)
Adjusted cash (used in) / provided by operating activities		(12,986)	20,907
CASH FLOWS FROM INVESTING ACTIVITIES			
Short-term investments		4,663	1,528
Restricted cash		(2)	3,500
Acquisition of property, plant and equipment	9	(15,084)	(9,990)
Proceeds from disposal of property, plant and equipment	9	5	3
Net cash (used in) / provided by investing activities		(10,418)	(4,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid on loans and financings	10.a	-	-
Net cash used in financing activities		-	-
Increase/(Decrease) in cash and cash equivalents		(23,404)	15,948
Cash and cash equivalents at the beginning of the period	3	76,306	34,927
Effects of exchange rate changes on the balance of cash held in foreign currencies		10,698	(556)
Cash and cash equivalents at the end of the period	3	63,600	50,319

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, 2022

(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). 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 financial year is from January 1 to December 31.

The Company holds investments in subsidiaries that own, charter and operate onshore and offshore drilling rigs for exploration and production companies, most of them operating in Brazil. The Group currently charters its drilling rigs to multinational companies, such as *Petróleo Brasileiro S.A. (“Petrobras”)*, *Oil and National Gas Corporation (“ONGC”)*, an Indian oil and gas exploration and production state-owned company and *Azulão Geração de Energia S.A. (“Eneva”)*.

a) Fleet of offshore and onshore drilling rigs

Offshore drilling units

<u>Drilling units</u>	<u>Type</u>	<u>Start of operations</u>	<u>Contract expected expiration date (current or future)</u>	<u>Customer (current or future)</u>
Atlantic Star	Semi-submersible	1997	January 2024 (Note 1.h)	Petrobras
Olinda Star	Semi-submersible	2009	September 2023 (Note 1.i)	ONGC
Gold Star	Semi-submersible	2010	August 2025 (Note 1.f)	Petrobras
Lone Star	Semi-submersible	2011	Mid 2025 (Note 1.g)	Petrobras
Alpha Star	Semi-submersible	2011	Mid 2023 (Note 1.e)	Petrobras
Amaralina Star	Drillship	2012	Mid 2025 (Notes 1.b)	Petrobras
Laguna Star	Drillship	2012	March 2025 (Note 1.d)	Petrobras
Brava Star	Drillship	2015	December 2023 (Note 1.c)	Petrobras

Onshore drilling units

<u>Drilling units</u>	<u>Type</u>	<u>Start of operations</u>	<u>Contract expected expiration date (current or previous)</u>	<u>Customer (current or previous)</u>
QG-I (*)	Onshore drilling rig	1981	June 2018	Zeus ÖL S.A. Ouro Preto
QG-II (*)	Onshore drilling rig	1981	August 2018	Óleo e Gás S.A.
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	July 2022	Eneva
QG-IX (*)	Onshore drilling rig	2011	June 2014	HRT O&G Exploração e Produção de Petróleo Ltda.

(*) As of March 31, 2022, these onshore drilling rigs were not hired under charter and service-rendering agreements. The Group is continuously seeking for new customers.

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

On January 2, 2020, the Group announced that the Amaralina Star drillship had been awarded a contract with the consortiums of BM-S-11, BM-S-11A and Production Individualization Agreement (*Acordo de Individualização de Produção - AIP*) of Lula field, operated by Petrobras. The contract has an estimated duration of 730 days. Operations started on April 15, 2020 and are being performed offshore the Brazilian coast, at the Santos Basin.

On February 22, 2022, the contract had its first amendment to add additional 19 days to its duration. It was amended again on April 20, 2022, with additional 91 days of backlog, being the new total duration of the contract 840 days. The contract ended on July 28, 2022.

On December 29, 2021 the Company announced a new contract with Petrobras for the drillship Amaralina Star. The contract will have a total duration of up to three years, being two years and one optional, with operations in water depths of up to 2,400m, and includes a package of integrated services. The campaign will be carried out in the Roncador field, in the Campos Basin, with operations expected to start in October 2022.

c) Brava Star drillship charter and service-rendering agreements

On June 26, 2020, the Group announced that on June 19, 2020 Shell issued notices of termination for the Brava Star charter and service contracts (the “Contracts”). As advised by Shell, this termination is based on its decision to conclude its drilling program for 2020. The Contracts were in effect under a third extension option exercised by Shell.

On January 6, 2021, the Group announced that the Brava Star drillship has been awarded a contract with Petrobras. The contract was signed on December 9, 2020, has an estimated duration of 810 days and includes a termination for convenience after 180 days subject to a demobilization fee. Work scope is in water depths up to 3,048m, and includes a full integrated package of services plus Managed Pressure Drilling (“MPD”). The work is being performed offshore Brazil and operations started on March 30, 2021.

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

On July 4, 2019, the Group announced that the Laguna Star drillship had been awarded a contract with the consortiums of BM-S-11, BM-S-11A and Production Individualization Agreement (*Acordo de Individualização de Produção - AIP*) of Lula field, operated by Petrobras. The contract has a 2-year estimated duration. Operations started on October 30, 2019, and was performed offshore the Brazilian coast, at the Santos Basin. The contract ended on November 7, 2021.

On July 6, 2021, the Group announced that Laguna Star drillship was awarded a contract with Petrobras. The contract has a 3-year estimated duration and its operation started on March 01, 2022 on the Brazilian coast, and includes integrated services, as well as the use of the MPD system.

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

On July 22, 2019, the Group announced that the Alpha Star offshore drilling rig had been awarded a new contract with Petrobras for a 2-year period. The drilling activities are being performed offshore the Brazilian coast, at the Campos Basin and operations started on August 16, 2020.

As of March 31, 2022, the Group has a provision for onerous contract in the total amount of US\$1,671 (US\$1,671 as of December 31, 2021), related to the aforementioned contract.

On February 9, 2022, the Group announced that the Alpha Star offshore drilling rig had been awarded a contract with the related party Enauta initially for drilling 1 well, shall have a term of 60 days, with the possibility of extending it for another 150 days for additional wells. The campaign will be held at the Atlanta field, estimated to begin in the 4th quarter of 2022. On February 22nd, 2022, options were exercised by Enauta and the total firm period became 210 days.

f) Gold Star offshore drilling rig charter and service-rendering agreements

On July 22, 2019, the Group announced that the Gold Star offshore drilling rig had been awarded a new contract with Petrobras for a 2-year period. Operations started on February 11, 2020, and the drilling activities are being performed offshore the Brazilian coast. The contract ended on March 4, 2022.

On January 5, 2022 the company announced the achievement of a new contract for the operation of our semi-submersible rig Gold Star recently signed with Petrobras. The contract has a total duration of three years and provide for operation in ultra-deep waters, up to 2,400 meters. The campaigns will be carried out in the Brazilian offshore basins and the operation started on August 9, 2022.

g) Lone Star offshore drilling rig charter and service-rendering agreements

On July 22, 2019, the Group announced that the Lone Star offshore drilling rig had been awarded a new contract with Petrobras for a 2-year period. The drilling activities are being performed offshore the Brazilian coast and operations started on April 24, 2020. The contract ended on April 23, 2022.

On January 5, 2022 the company announced the achievement of a new contract for the operation of our semi-submersible rig Lone Star recently signed with Petrobras. The contract has a total duration of three years and provide for operation in ultra-deep waters, up to 2,400 meters. The campaigns will be carried out in the Brazilian offshore basins, with operations expected to start in August 2022.

h) Atlantic Star drilling rig charter and service-rendering agreements

On February 5, 2020, the Group announced that the Atlantic Star offshore drilling rig had been awarded a contract with Petrobras. The contract has a 3-year estimated duration. Operations are being performed in the Campos Basin, located offshore the Brazilian coast, and operations started on January 06, 2021.

i) Olinda Star drilling rig charter and service-rendering agreements

On February 27, 2021, the contract with ONGC was amended for an additional period of 191 days. On July, 2021 was amended for an additional period of 38 days. Once again, on November 22, 2021 was amended for an additional period of 39 days until December 31, 2021, due to zero rate and force Majeure days occurred during the original contract term. This final extension is due to rig waiting for improvement of weather conditions to be demobilized to Kakinada, when rig will then be de-hired. All other terms and conditions remain unchanged.

On January 7, 2022, Constellation was awarded a new contract in India for Olinda Star, with duration of 502 days. The company started its operations on May 4, 2022.

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

On July 26, 2021, the Group announced that the onshore drilling rig QG-VIII had been awarded a contract with Azulão Geração de Energia S.A. (Eneva). On September 15, 2021, the onshore drilling rig QG-VIII started its operations for Eneva S.A for an exploratory campaign in the field of Azulão in Amazonas. The contract ended on July 15, 2022.

k) COVID-19 impacts in the Group's operations, forecast and further going concern considerations

Although 2020 started with recovery signs for the offshore drilling segment, the global economy has faced an unprecedented crisis with the fast-spreading new coronavirus (COVID-19), which is negatively impacting supply chains, travels, and in particular, the financial and oil and gas markets. The Group is not immune to the effects of this global crisis and is taking all necessary precautions and measures, both in operational and administrative areas.

Actions taken by governmental authorities, non-governmental organizations, businesses and individuals around the world aiming at slowing the COVID-19 pandemic curve and associated consumer behavior have negatively influenced forecasted global economic activity, thereby resulting in lower demand for crude oil. This scenario has created a current and forecasted oversupply, precipitating the recent steep decline in oil prices and an increase in oil price volatility. As a result, the current main customer of the Group (Petrobras) has adopted during 2020 resilience measures comprising reduction of oil production, postponement of cash disbursement and cost restraint measures. These measures directly affected the Group, and after a short negotiations period, the original terms of certain contracts signed during 2019 and 2020 have been subject to changes. The main changes

were: (i) delay in the start-up of Alpha Star commencement of operations to August 2020; (ii) deferral of Alpha Star and Atlantic Star first months' charter fee payment to January and February 2021; (iii) deferral of Atlantic Star mobilization payment to January 2021; and (iv) deferral of contractual penalties payments for delay in mobilizing Lone Star and Alpha Star offshore drilling units, if due, for early 2021.

In India, regarding Olinda Star contract, ONGC invoked the Force Majeure clause based on COVID-19 crisis. Force Majeure period was from May 10, 2020 to June 25, 2020. On June 24, 2020, the Group received a notice from ONGC confirming the conditions for resuming the operational activities of the Olinda Star drilling unit. The Group sent a formal acknowledgement to ONGC on June 25, 2020 and the contract was formally amended.

As a result of the items described above and its impacts in the Company's cash flow assessment for the years ending December 31, 2020 and 2021, the Company approached its financial creditors to negotiate certain terms and conditions of the Second Amended and Restated Plan Support Agreement ("PSA"), RJ Plan ("Plan Amendment") and credit agreements. The main new conditions agreed with creditors with respect to the implementation of certain obligations provided in that agreements were the following: (i) payments of cash interest due from April to December 2020 to be made out of restricted cash in connection with Amaralina, Laguna and Brava project finance agreements and (ii) the requirement to maintain certain Unrestricted Cash levels was reduced to US\$25 million in 2020, US\$60 million in 2021 and US\$75 million from 2022 onwards.

Market fundamentals point to a multi-year recovery in our segment. During last years' downturn, E&P companies limited their investments in production, prioritizing deleveraging balance sheets and shareholder return, which resulted in reduced oil inventories. This scenario, jointly with increasing demand post pandemic and geopolitical issues, led to a substantial increase in oil prices, which have been traded above \$ 100 per barrel. Besides, over the past few years, low demand for offshore projects boosted rigs' scrapping and brought consolidation to a market with structural problems of oversupply. Going forward, Management believes that rig utilization and day rates will continue their upward progression.

On the Commercial side, we continued to grow our contract backlog, which was at US\$1.3 billion as of March 31, 2022, from US\$1.1 billion as of December 31, 2021. Note 1 discloses several events related to charter contracts and operating services for the onshore and offshore drilling rigs that corroborate the above information.

l) Liquidity and financial restructuring aspects

On December 18, 2019, the Group entered into amended and restated credit agreements as well as new credit agreements with its financial creditors, and issued new senior secured and senior unsecured notes, pursuant to new indentures (the "RJ Closing").

The Group has resumed discussions with its creditors on ways to achieve a sustainable capital structure in line with its operating business in the industry's current economic environment.

In the context of such negotiations with its creditors, on July 6, 2021, the Group filed a first version of the Amendment to the RJ Plan ("Plan Amendment").

A Plan Support Agreement, a Restructuring Term-Sheet and other relevant documents was signed on March 24, 2022. On the same day, the General Creditors Meeting approved the Plan Amendment, which was confirmed by the RJ Court on March 28, 2022 and, subsequently, on May 3, 2022 the New York Court granted the full force and relief to the RJ Plan.

On June 10, 2022, the Group has entered into Amended and Restated Credit Agreements and also into new arrangements with its creditors that propose to convert part of the debt held by some creditors into the share capital of the Company, with the dilution of original shareholders (the “Restructuring Documents”).

Under the Restructuring Documents, the creditors has given a haircut over the \$1,990M outstanding debt, which was reinstated to \$826M of convertible debt, with an additional \$92.6M comprised of \$62.4M in new funds raised through the restructuring and \$30.2M in non-convertible debt. Additionally, a portion of the debt, owing to a group of key financial creditors, were converted, as follows:

<i>Amounts in USD millions</i>	Pre-restructuring	Restructured Debt	
	Outstanding Debt	Convertible Debt	Non-convertible Debt
Total	1,990.1	826.0	92.6

The Restructuring Documents also foresee a future liquidity event, consisting of a sale of a majority of the Company’s equity interest (or other similar transactions described in the restructuring documents). In this event, the Convertible Debt will be converted into equity, and the proceeds from this liquidity event will be distributed according to the new equity distribution.

As per the Closing, the debt was converted into the Company’s equity interests as follows:

Type of share	Number of shares	Nomination rights
Class A shares	180,000,000	Have no rights to appoint Board members until the shares are sold to an Acceptable Buyer. Right to appoint a Board Observer
Class B shares	313,333,333	Majority of B Shares (B-1 + B-2) have right to appoint members of the Board
Class B-2 Warrants (*)	173,333,333	Majority of B Shares (B-1 + B-2) have right to appoint members of the Board

The Restructuring Documents also provide that upon a future liquidity event, consisting of a sale of a majority of the Company’s equity interest (or other similar transactions described in the Restructuring Documents), the convertible debt will be converted into shares of the Company, and the proceeds from this liquidity event will be distributed according to the new equity distribution.

The extinguishment of debt in exchange for the Company's own equity instruments on June 10, 2022 has resulted in an estimated gain of USD 468.4 million for the group to be recognized in the 2nd quarter of 2022. This gain was calculated in accordance with IFRIC 19, based on an estimated valuation of the equity interests transferred of USD 603.1 million, and an extinguished debt of USD 1,071.6 million.

m) Commitments

As of March 31, 2022, the Group had the following commitments which it is contractually obligated to fulfill:

- The Group, through its subsidiary Serviços de Petróleo, has committed to comply with certain governance and compliance policies including keeping and maintaining a robust integrity program. Failure to comply with these commitments may ultimately result in fines limited to a maximum of 20% of the monthly revenue of each services contract with Petrobras.

Until the date of the issuance of these interim financial information of the Group complies with its covenants.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial information 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 disclose in Notes 3 and 4, respectively, to the annual consolidated financial statements as of December 31, 2021 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 information were prepared based on historical cost, except for certain financial assets and liabilities that are measured at fair value (Note 19.a).

The unaudited condensed consolidated interim financial information 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, 2021, 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, 2021 and March 31, 2022.

The unaudited condensed consolidated interim financial information 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, 2021 and for the year then ended.

Continuity as a going concern

The Group's unaudited condensed consolidated interim financial information 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 1k.

2.1. New and amended IFRS that are mandatorily effective for the current year

During the year, the Group has applied a number of new and amended IFRS Standards issued by the International Accounting Standards Board (IASB), which are mandatorily effective for an accounting period that begins on or after January 1, 2021. The following amendments have been applied by the Group, but had no significant impact on its Consolidated financial statements:

Standard	Description	Effective date
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition	January 1, 2021

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

At the date of approval of these financial information, 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
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	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 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.	The effective date of the amendments has yet to be set by the IASB

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.	January 1, 2022
Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.	January 1, 2022
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract)	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020	Makes amendments to the following standards: IFRS 1, IFRS 9, IFRS 16, IAS 41	January 1, 2022
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	January 1, 2023

The Group’s Management has conducted an analysis of the impacts arising from the adoption of these new or revised and amended IFRS 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 IFRS will not significantly impact its Consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

	March 31, 2022	December 31, 2021
Cash and bank deposits	6,187	11,046
Time deposits (*)	57,413	65,260
Total	<u>63,600</u>	<u>76,306</u>

(*) Time deposits are comprised as follows:

Financial institution	Currency	Average interest rate (per annum)	March 31, 2022	December 31, 2021
Itaú BBA Nassau	U.S. dollar	0.15%	41,967	49,124
Citibank	U.S. dollar	1.34%	230	218
Banco Bradesco S.A.	Brazilian real	19% of CDI ⁽ⁱⁱ⁾	1,732	2,046
Banco do Brasil S.A.	Brazilian real	90.02% of CDI ⁽ⁱⁱ⁾	13,484	13,872
Total			57,413	65,260

4. SHORT-TERM INVESTMENTS

Financial institution	Type	Currency	Average interest rate (per annum)	March 31, 2022	December 31, 2021
Banco Lafise Panamá		U.S. dollar		52	52
	Time deposits ⁽ⁱ⁾		2.75%		
Banco do Brasil S.A.	Repurchase agreements ⁽ⁱⁱⁱ⁾	Brazilian real	98.00% of CDI ⁽ⁱⁱ⁾	-	4,663
Total				52	4,715

- (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*), average remuneration during the three-month period ended March 31, 2022 and December 31, 2021 was 10.27%p.a. and 4.65% 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., more than ninety days).

5. RESTRICTED CASH

Under certain of the Group's project finance arrangements (Note 10), 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 10); (ii) cash collateral related to Bid/Performance Bonds and (iii) cash collateral to make capital expenditures in respect of 2024 notes collateral rigs and operating and maintenance expenses of drilling rigs.

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

Financial institution	Type	Average interest rate (per annum)	March 31, 2022	December 31, 2021
Citibank N.A.	Time deposits	1.00%	2,537	2,535
HSBC	Time deposits	1.00%	15,063	15,063
HSBC	Bank deposits	-	1,600	1,600
Total			19,200	19,198

6. TRADE AND OTHER RECEIVABLES

Trade receivables are related to receivables for charter and service-rendering agreements relating to the drilling units used in the oil and gas exploration in Brazil and India. Historically, there have been no defaults on receivables or delays in collections and, consequently, the Group has not recorded an impairment loss provision for trade and other receivables for the years presented. The average collection period is of approximately 50 days. Details of financial risk management related to credit risk are disclosed in Note 19.b.

7. INVENTORIES

Inventories consist of spare parts, materials and supplies to be applied in the drilling units operations. The amounts recognized in the consolidated statement of operations are accounted for as Cost of Services in the sub-account “Materials” (Note 15).

8. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, that 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, 2022 and December 31, 2021, and transactions for the three-month periods ended March 31, 2022 and 2021 are as follows:

	March 31, 2022		December 31, 2021		Three-month period ended March 31,	
					2022	2021
	Assets	Liabilities	Assets	Liabilities	Income/ (expenses)	Income/ (expenses)
Queiroz Galvão S.A. ^(a)	-	-	-	-	-	-
Queiroz Galvão International S.A. ^(a)	-	168	-	168	-	-
Enauta S.A.	-	23	-	25	-	-
Others	-	-	-	-	-	8
Total	-	191	-	193	-	8
Current	-	191	-	193	-	-

- (a) As of March 31, 2022 and December 31, 2021 the payable amount referred to a fee charged by Queiroz Galvão S.A. for being the guarantor for importations under the REPETRO tax regime. On March 30, 2020 Constellation Overseas and Queiroz Galvão S.A. entered into a Termination and Release Agreement (“Agreement”) which releases the warrants and corporate guarantees provided by Queiroz Galvão S.A. Additionally the remaining financial rights were transferred from Queiroz Galvão S.A. to Queiroz Galvão International Ltd.

Key management personnel (i) remuneration for the year ended March 31, 2022 and March 31, 2021, is as follows:

	Three-month period ended March 31,	
	2022	2021
Short-term benefits ⁽ⁱⁱ⁾	723	2,051

- (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).

Severance Plan

The Group's Employment Contracts (the "Contract") with some of its Executive members provides that if the contract is terminated at the Group's initiative, the member will be entitled to an Exit Fee. A minimum monthly base salary is guaranteed as an Exit Fee, which will only be applied if the Contract is terminated by the Group's initiative to 12 months from the date of an eventual change of control of the Group. The guaranteed minimum monthly base salary will not be applied after 12 months from the change of control of the Group. In this case, the member will be entitled to an exit fee corresponding to a monthly base salary, multiplied for each year of employment by the Group.

Atendimento Prisma

9. PROPERTY, PLANT AND EQUIPMENT

	Drillships			Offshore drilling rigs				Onshore drilling rigs, equipment and bases	Corporate	Total	
	Brava Star	Amaralina Star	Laguna Star	Atlantic Star	Alpha Star	Gold Star	Lone Star	Olinda Star			(b)
<u>Cost</u>											
Balance as of December 31, 2020	<u>707,051</u>	<u>717,917</u>	<u>707,634</u>	<u>373,247</u>	<u>767,673</u>	<u>599,818</u>	<u>732,415</u>	<u>580,353</u>	<u>124,862</u>	<u>19,831</u>	<u>5,330,801</u>
Additions	13,229	1,755	8,584	895	1,941	1,724	3,732	1,018	57	137	33,072
Disposals / write off	(127)	(73)	(1)	(179)	-	(197)	(20)	-	-	(25)	(622)
Currency translation adjustments	-	-	-	-	-	-	-	-	(4,706)	(31)	(4,737)
Balance as of December 31, 2021	<u>720,153</u>	<u>719,599</u>	<u>716,217</u>	<u>373,963</u>	<u>769,614</u>	<u>601,345</u>	<u>736,127</u>	<u>581,371</u>	<u>120,213</u>	<u>19,912</u>	<u>5,358,514</u>
Additions	559	302	9,832	675	68	2,957	544	4	143	-	15,084
Disposals / write off	-	-	-	-	-	-	-	-	(2)	-	(2)
Currency translation adjustments	-	-	-	-	-	-	-	-	7,072	1,241	8,313
Balance as of March 31, 2022	<u>720,712</u>	<u>719,901</u>	<u>726,049</u>	<u>374,638</u>	<u>769,682</u>	<u>604,302</u>	<u>736,671</u>	<u>581,375</u>	<u>127,426</u>	<u>21,153</u>	<u>5,381,909</u>
<u>Accumulated depreciation and impairment</u>											
Balance as of December 31, 2020	<u>(356,098)</u>	<u>(421,095)</u>	<u>(409,741)</u>	<u>(199,876)</u>	<u>(507,193)</u>	<u>(362,755)</u>	<u>(510,031)</u>	<u>(580,353)</u>	<u>(96,897)</u>	<u>(18,357)</u>	<u>(3,462,396)</u>
Depreciation	(19,393)	(27,544)	(26,229)	(18,854)	(18,746)	(16,074)	(18,980)	-	(3,431)	(190)	(149,441)
Impairment (provision)/reversal	56,799	16,707	23,518	(8,426)	55,068	4,720	17,805	17,826	-	-	184,017
Disposals / write off	45	10	-	69	-	-	1	-	-	25	150
Currency translation adjustments	-	-	-	-	-	-	-	-	2,699	17	2,716
Balance as of December 31, 2021	<u>(318,647)</u>	<u>(431,922)</u>	<u>(412,452)</u>	<u>(227,087)</u>	<u>(470,871)</u>	<u>(374,109)</u>	<u>(511,205)</u>	<u>(562,527)</u>	<u>(97,629)</u>	<u>(18,504)</u>	<u>(3,424,954)</u>
Depreciation	(5,749)	(6,784)	(5,884)	(4,828)	(4,728)	(3,955)	(4,385)	(367)	(870)	(31)	(37,580)
Impairment (provision)/reversal	-	-	-	-	-	-	-	-	-	-	-
Disposals / write off	-	-	-	-	-	-	-	-	2	-	2
Currency translation adjustments	-	-	-	-	-	-	-	-	(5,005)	(1,232)	(6,237)
Balance as of March 31, 2022	<u>(324,396)</u>	<u>(438,706)</u>	<u>(418,336)</u>	<u>(231,915)</u>	<u>(475,599)</u>	<u>(378,064)</u>	<u>(515,590)</u>	<u>(562,894)</u>	<u>(103,502)</u>	<u>(19,768)</u>	<u>(3,468,770)</u>
Property, plant and equipment, net ^(a)											
December 31, 2021	401,506	287,677	303,765	146,876	298,743	227,236	224,922	18,844	22,559	1,433	1,933,561
March 31, 2022	396,316	281,195	307,713	142,723	294,083	226,238	221,081	18,481	23,924	1,385	1,913,139
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 10.
- (b) As of March 31, 2022, the amounts of US\$23,844 (US\$20,906 as of December 31, 2021) refers to the onshore drilling rigs.

Impairment

During the year ended December 31, 2021, the Group identified indicators that part of the impairment loss recognized in prior periods of its offshore asset groups may have decreased. Such indicators included recovery in commodity prices and projected day rates.

No relevant events occurred during the three-month period ended March 31, 2022 that may have affected the recoverable amounts of the Group's onshore and offshore drilling rigs as of March 31, 2022.

(a) Onshore drilling rigs

The Group estimated the recoverable amount of its onshore drilling rigs based on the revaluated historical cost. In calculating the recoverable amount of these drilling units as of March 31, 2022 and December 31, 2021 no impairment was recognized.

(b) Offshore drilling rigs and drillships

The Group estimated the recoverable amount of each one of its offshore drilling rigs and drillships based on a value in use calculation, which uses a discounted projected net cash flow analysis over the remaining economic useful life of each drilling unit, considering a 10.92% discount rate for all rigs except Atlantic and Olinda that considers 10.90% (10.92% for all rigs except Atlantic and Olinda that considers 10.90% in 2021). The rates reflect 10 and 20 years T.Bonds respectively according to the rig's lifespan. Our estimates required us to use significant unobservable inputs including assumptions related to the future performance of our contract drilling services, such as projected demand for our services, rig efficiency and day rates. As of December 31, 2021, the Group reversed an impairment in amount of US\$ 184.017 in all offshore drilling rigs and drillships.

10. LOANS AND FINANCING

Financial institution/ Creditor	Funding type	Description	Objective	Beginning period	Maturity	Contractual interest rate (per annum)	Effective interest rate (per annum)	Currency	March 31, 2022	December 31 2021
Bondholders ⁽¹⁾	Senior Secured Notes ("Participating Notes")	Corporate Bond	Debt Restructuring	Dec/2019	Nov/2024	10.00%	1.00%	U,S, dollar	766,572	748,135
Bondholders ⁽¹⁾	Senior Secured Notes ("Third Lien Notes")	Corporate Bond	Debt Restructuring	Dec/2019	Nov/2024	10.00%	1.00%	U,S, dollar	43,645	42,596
Bondholders ⁽²⁾	Senior Secured Notes ("Fourth Lien Notes")	Corporate Bond	Debt Restructuring	Dec/2019	Nov/2024	10.00%	3.00%	U,S, dollar	71,612	69,890
Bondholders	Senior Unsecured Notes ("2030 Notes")	Corporate Bond	Debt Restructuring	Dec/2019	Nov/2030	6.25%	6.25%	U,S, dollar	113,891	112,153
Subtotal – fixed interest rate loans									995,720	972,774
Banco Bradesco S.A. ⁽³⁾	Loan	Working Capital	Debt restructuring	Dec/2019	Nov/2025	Libor+2.00%	4.32%	U,S, dollar	166,245	165,324
Subtotal - variable interest rate loans									166,245	165,324
BNP, Citi, ING and DNB and Eksporkreditt Norge ("EKN") ⁽⁴⁾	Financing	ALB (Amaralina)	Debt restructuring	Dec/2019	Nov/2023	Libor + 3.12% (cash) + 1.50% (PIK)	4.94%	U,S, dollar	180,618	178,473
BNP, Citi, ING and DNB and Eksporkreditt Norge ("EKN") ⁽⁴⁾	Financing	ALB (Laguna)	Debt restructuring	Dec/2019	Nov/2023	Libor + 3.12% (cash) + 1.50% (PIK)	4.94%	U,S, dollar	187,425	185,199
BNP, Citi, ING and DNB and Eksporkreditt Norge ("EKN") ⁽⁵⁾	Financing	ALB (Brava)	Debt restructuring	Dec/2019	Nov/2023	Libor + 2.45% (cash) + 1.50% (PIK)	4.27%	U,S, dollar	436,698	432,173
Subtotal – variable interest rate financing									804,741	795,845
Total									1,966,706	1,933,943
Current									142,775	117,113
Non-current									1,823,931	1,816,830

- (1) 10% Payment-in-Kind (“PIK”) from December 18, 2019 (the “Effective Date”) to, but excluding, November 9, 2021 and 9% cash + 1% PIK from November 9, 2021 until the maturity date.
- (2) 10% PIK from the Effective Date to, but excluding, November 9, 2021 and 7% cash + 3% PIK from November 9, 2021 until the maturity date.
- (3) Libor + 2.00% to be paid on Maturity Date until January 2021, from this date on 2.75% cash payment plus the difference between Libor + 2.00% minus 2.75%.
- (4) 14% PIK from the Effective Date until December 2019 and Libor + 3.12% cash and 1.50% PIK from December 2019 until the Maturity Date
- (5) 14% PIK from the Effective Date until December 2019 and Libor + 2.45% cash and 1.50% PIK from December 2019 until the Maturity Date.

a) Changes in loans and financing

	Three-month period ended March 31,	
	2022	2021
Balance as of January 1	1,933,943	1,809,143
Interest payment	-	-
Total payments	-	-
Interest charged through profit and loss	32,763	30,290
Financial expenses on loans and financing (Note 17)	32,763	30,290
Balance as of March 31,	<u>1,966,706</u>	<u>1,839,433</u>

Working capital

On December 18, 2019, the Group: (i) amended and restated the working capital loan agreements with Bradesco to reflect the terms agreed to in the debt restructuring plan; and (ii) entered into a new credit loan agreement with Bradesco in the amount of US\$10 million, in both cases, with a final maturity date on November 30, 2025.

Notes

Participating Notes – The Company issued Senior Secured Notes bearing interest at 10.00% p.a. (the “Participating Notes”), payable semiannually as capitalized interest until the payment date in November 2021 and, thereafter, payable semiannually at a rate of 9.00% p.a. in cash and 1.00% PIK. On the date of issuance, the Participating Notes reflected an aggregate principal amount of US\$609,742, comprised of US\$27,215 principal amount of a first lien tranche, US\$408,219 principal amount of a second lien tranche and US\$174,308 principal amount of a third lien tranche.

Third Lien Stub Notes – The Company issued Senior Secured Notes bearing interest at 10.00% p.a. (the “Third Lien Notes”), payable semiannually as capitalized interest until the payment date in November 2021 and, thereafter, payable semiannually at a rate of 9.00% p.a. in cash and 1.00% PIK. On the date of issuance, the Third Lien Notes reflected an aggregate principal amount of US\$34,716.

Non Participating Notes– The Company issued Senior Secured Notes bearing interest at 10.00% p.a. (the “Third Lien Notes”), payable semiannually as capitalized interest until the payment date in November 2021 and, thereafter, payable semiannually at a rate of 7.00% p.a. in cash and 3.00% PIK. On the date of issuance, the Fourth Lien Notes reflected an aggregate principal amount of US\$57,271.

2030 Notes – The Company issued Senior Unsecured Notes bearing interest at 6.25% p.a. (the “2030 Notes”), with a maturity date on November 9, 2030. The interest is paid as capitalized interest until maturity. On the date of issuance, the 2030 Notes reflected an aggregate principal amount of US\$98,927.

b) Loans and financing long term amortization schedule

For the three-month period ended March 31,	Net amount	PIK (*)	Gross amount
2023	720,685	113,072	833,757
2024	841,256	104,398	945,654
2025	148,100	2,901	151,001
2030	113,890	79,512	193,402
Total	1,823,931	299,883	2,123,814

(*) Interest capitalized that will be repaid upon maturity of the loans and financing.

c) Covenants

Financial covenants

The loans and financing agreements contains financial covenants and securities provided to lenders. Non-compliance 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.

d) Guarantees

The financing obtained by the Group in order to finance the construction and operation of the drilling rigs, drillships and for other corporate purposes are usually structured as Project Finance; 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 and service-rendering agreements are required to be paid, assignment of the relevant insurances, corporate guarantees, and in particular with Amaralina Star Facility, Laguna Star Facility and Brava Star Facility, cross-collateralization between such facilities.

In addition, the terms of some of these debt financing 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 debt financing instruments.

The aforementioned conditions apply to the Project Financing related to Amaralina Star, Laguna Star and Brava Star drillships.

The Participating Notes, the Third Lien Stub Notes and the *Non Participating 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 Alpha Star, Gold Star, Lone Star and Atlantic Star Rigs (the “Unencumbered Drilling Rigs”).

The Participating Notes, the Third Lien Stub Notes and the *Non Participating Notes* are secured by certain assets of the Company, including but not limited to, the Company’s current Unencumbered Drilling Rigs and the insurance receivables related thereto, subject to the terms and conditions of the indenture governing such notes. The Participating Notes, the Third Lien Notes and the Fourth Lien 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 indenture governing such notes.

11. 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 fines (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,	
	2022	2021
Balance as of January 1	745	2,729
(Reversal of) Penalty for delay (Alpha Star, Gold Star, Lone Star and Amaralina Star)	128	(241)
Balance as of March 31	<u>873</u>	<u>2,488</u>

12. CONTINGENCIES AND PROVISIONS FOR LAWSUITS

a) 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, 2022, provisions to cover probable losses included in “other non-current liabilities” are mainly related to labor (hardship and retirement) and civil claims.

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

	Three-month period ended March 31,	
	2022	2021
Balance as of January 1	1,540	2,729
Additions	1,174	-
Reversals	(31)	-
Foreign exchange rate variations	394	(241)
Balance as of March 31	<u>3,077</u>	<u>2,488</u>

b) 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 consolidated financial information and consist of labor lawsuits (mainly comprised by compensation due to work related accidents and occupational diseases) in the amount of US\$21,818 as of March 31, 2022 (US\$23,415 as of December 31, 2021), tax lawsuits in the amount of US\$37,058 as of March 31, 2022 (US\$28,376 as of December 31, 2021) and civil lawsuits in the amount of US\$426 as of March 31, 2022 (no civil lawsuits as of December 31, 2021).

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, 2022, the estimated amount involved is US\$7,958 (US\$6,755 as of December 31, 2021).

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, 2022, the estimated amount involved is US\$20,052 (US\$16,879 as of December 31, 2021).

On December 18, 2020, 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 year 2016. 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 January 19, 2021, Serviços de Petróleo argued, on appeal, in order to contest RFB's tax assessment. As of March 31, 2021, the estimated amount involved is US\$4,240 (US\$3,352 as of December 31, 2021).

- 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, accusing both entities of infringing its dual-activity drilling technology patent. On November 19, 2018, all preliminary injunctions requested by Transocean were rejected by the Third Business Court of Rio de Janeiro. 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, and on March 20, 2019, the Appellate Court issued its final decision on Transocean’s appeal, confirming the injunction previously granted. On April 1, 2019, a mediation and conciliation hearing occurred, but the parties did not reach an agreement. On March 25, 2019, Serviços de Petróleo and Brava filed their responses to Transocean claims, and on October 14, 2019, Transocean filed its rejoinder. On June 4, 2020, Constellation filed a motion requesting the suspension of the process until a judgment is reached in the nullity action proposed by Constellation against Transocean’s patent. The Judge has granted such suspension on September 11, 2020. Transocean filed an appeal against the decision that granted the suspension, which has been dismissed by the Appellate Court on December 09, 2020. On September 20, 2021 Transocean requested that the suspension of the process be lifted, as one year had passed. On September 28, 2021 Constellation replied Transocean’s request. Until the issuance of a new decision by the Third Business Court, the claim remains on suspension.

In January 2020, Transocean filed a compensation claim against Serviços de Petróleo and Brava regarding the patent infringement alleged in its 2018 claim. Serviços de Petróleo and Brava Star responses were filed on March 1, 2021.

As of the date of issuance of these consolidated financial information, the Group’s Management cannot reliably estimate the amount involved, and their external legal advisor classifies the chances of winning such claim as possible.

c) 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 its position. Nevertheless, the Group’s actions are supported by its in-house legal counsel and external legal advisors’ opinion.

d) Other matters

Petrobras withholding taxes

In July 2014, the Group received letters from Petrobras informing that the RFB issued Notices of Violation against Petrobras regarding the absence of withholding income taxes collection 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 recoverability of such losses from its contractors, including the Group, plus 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\$68 million translated at historical rates as of June 30, 2014), 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 at the reimbursement of Petrobras' losses, the Group will contest such charges.

13. SHAREHOLDERS' EQUITY

a) Share capital

As of March 31, 2022 and December 31 2021, the Company's share capital amounts to US\$981,200, comprised by 2,889,227,364 ordinary shares, with no par value. The Class A Shares carry voting rights and are entitled to one (1) vote per Share at any general meeting of Shareholder. The Class B Shares are non-voting shares and are only recognized for purposes of voting in accordance with the requirements of the Law.

b) Legal reserve

In accordance with Luxembourg Corporate Law, the Company must allocate 5% of its annual profit of its stand-alone financial information, after deducting of any losses brought forward from previous years, to the minimum legal reserve.

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.

c) Other Comprehensive Items (OCI)

Foreign currency translation adjustments reserve

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

14. NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements. As of March 31, 2022 and 2021, Petrobras has accounted for 98% and 90%, respectively, of total revenues.

Net operating revenue is presented after the following items:

	Three-month period ended	
	March 31,	
	2022	2021
Gross operating revenue	91,236	81,437
Taxes levied on revenue:		
Social Integration Program (PIS) ⁽ⁱ⁾	(575)	(402)
Social Investment Program (COFINS) ⁽ⁱ⁾	(2,649)	(1,851)
Services Tax (ISS) ⁽ⁱ⁾	(862)	(644)
Good and Service Tax (GST) ⁽ⁱⁱ⁾	(1)	(929)
Others	78	1
Net operating revenue	87,227	77,612

(i) Taxes levied on revenues are applicable only to the revenues generated by Serviços de Petróleo.

(ii) GST refers to the indirect tax in India.

15. COST OF SERVICES AND OPERATING EXPENSES

Costs and expenses by nature	Three-month period ended March 31,					
	2022			2021		
	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, related charges and benefits	(25,852)	(3,273)	(29,125)	(20,484)	(3,172)	(23,656)
Depreciation	(37,545)	(36)	(37,581)	(36,774)	(43)	(36,817)
Materials	(10,472)	-	(10,472)	(13,005)	-	(13,005)
Maintenance	(18,861)	(6)	(18,867)	(15,240)	-	(15,240)
Insurance	(1,123)	(398)	(1,521)	(936)	-	(936)
Other ⁽¹⁾⁽²⁾	(7,497)	(13,904)	(21,401)	(6,574)	(5,581)	(12,155)
Total	<u>(101,350)</u>	<u>(17,617)</u>	<u>(118,967)</u>	<u>(93,013)</u>	<u>(8,796)</u>	<u>(101,809)</u>

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

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

16. OTHER OPERATING INCOME (EXPENSES), NET

	Three-month period ended March 31,	
	2022	2021
Property Rental	34	31
Revenue from sales of PP&E	5	3
Other	62	4,092
Other income	<u>101</u>	<u>4,126</u>
Other	-	(812)
Other expenses	-	(812)
Total other income, net	<u>101</u>	<u>3,314</u>

17. FINANCIAL EXPENSES, NET

	Three-month period ended March 31,	
	2022	2021
Interest on short-term investments	338	166
Other financial income	1	178
Financial income	<u>339</u>	<u>344</u>
Financial expenses on loans and financing (Note 10.a)	(32,763)	(30,291)
Other financial expenses	(161)	(47)
Financial expenses	<u>(32,924)</u>	<u>(30,338)</u>
Foreign exchange variation gain, net	(378)	(64)
Financial expenses, net	<u>(32,963)</u>	<u>(30,058)</u>

18. 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 Serviços de Petróleo India, QGOG Constellation UK and QGOG Constellation US, which operate in Brazil, India, UK and USA, respectively. Additionally, certain of the Group entities' operate in the Netherlands, Switzerland and Luxembourg, but none of these entities reported taxable income for the periods presented.

The related taxes and contributions are as follows:

a) Recoverable taxes

	March 31, 2022	December 31, 2021
Taxes on revenue (PIS/COFINS)	12,844	9,896
Goods and Services Tax - GST ⁽ⁱ⁾	294	-
Income tax (IRPJ) and social contribution on net income (CSLL) ⁽ⁱⁱ⁾	3,456	4,383
Other	1,051	237
Total	17,645	14,516
Current	17,609	14,516
Non-current	36	-

(i) 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.

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

b) Taxes payables

	March 31, 2022	December 31, 2021
Goods and Services Tax - GST ⁽ⁱ⁾	(83)	138
Income tax (IRPJ) and social contribution (CSLL)	224	318
Service Tax (ISS)	1,013	1,120
State VAT (ICMS)	145	184
Taxes on revenue (PIS/COFINS)	31	26
Total	1,330	1,786

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

c) Deferred tax assets

	March 31, 2022	December 31, 2021
Income tax (IRPJ) and social contribution (CSLL) ^(*)	19,224	16,415

(*) Mainly refers to deferred income arising from taxes losses carryforward and provision for contingencies 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 period ended March 31, 2022 and December 31, 2021 reconciliations below refers to the combined 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 income tax on Serviços de Petróleo India revenues of 4,326%, in accordance with Indian tax legislation, jurisdiction in which Serviços de Petróleo India operates.

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

	Three-month period ended March 31,	
	2022	2021
(Loss) before taxes	(64,871)	(50,941)
Income tax and social contribution at nominal rate (*)	1,433	(1,819)
Adjustments to derive effective tax rate:		
Non-deductible expenses	(80)	(839)
Other	(1,556)	(159)
Income tax expense recognized in profit or loss	(203)	(2,817)
Current taxes	(2)	(1,212)
Deferred taxes	(201)	(1,605)

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

19. FINANCIAL INSTRUMENTS

a) General considerations

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

The Group's main financial instruments are as follows:

	Category	March 31, 2022		December 31, 2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	FVTPL	63,600	63,600	76,306	76,306
Short-term investments	FVTPL	52	52	4,715	4,715
Restricted cash	FVTPL	19,200	19,200	19,198	19,198
Trade and other receivables	Amortized cost	48,454	48,454	45,666	45,666
Receivables from related parties	Amortized cost	-	-	-	-
Financial liabilities					
Loans and financing	Amortized cost	1,966,706	1,370,533	1,933,942	1,187,559
Trade and other payables	Amortized cost	59,977	59,977	54,644	54,644
Payables to related parties	Amortized cost	191	191	193	193

Except for loans and financing, the carrying amounts of the remaining financial instruments do not significantly differ from their fair value.

Fair value hierarchy

IFRS 13 – *Fair Value Measurement* 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.

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 the entity to consider all aspects of non-performance risk, including the entity’s own credit to measure the fair value of a liability.

IFRS 13 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 “inputs” 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 includes 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 of long-lived assets.

The Group measures its short-term investments and restricted cash 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 financing are classified as Level 2, due to the fact that they are measured using similar financial instruments.

b) Financial risk management

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built a liquidity risk management framework for managing the Group’s short and

long-term funding and liquidity management requirements. The Group manages the liquidity risk by combining and maintaining adequate banking and capital markets 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 financing on a project-by-project basis. Such financing are arranged as required to support the Group's operations and growth plans.

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

March 31, 2022

Period	Trade and other payables	Loans and financing	Payables to related parties	Total
2022	59,977	210,107	191	270,275
2023	-	833,757	-	833,757
2024	-	945,654	-	945,654
2025	-	151,001	-	151,001
After 2026	-	193,402	-	193,402
Total	59,977	2,333,921	191	2,394,089

December 31, 2021

Period	Trade and other payables	Loans and financing	Payables to related parties	Total
2022	54,644	182,185	193	237,022
2023	-	840,995	-	840,995
2024	-	946,393	-	946,393
2025	-	150,396	-	150,396
After 2026	-	193,401	-	193,402
Total	54,644	2,313,370	193	2,368,207

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations, thus 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, 4, 5, 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 each financial institution individually aiming at minimizing its credit risk exposure.

Market Risk (interest rate risk)

The Group is exposed to interest rate risk due to the fact that its entities borrow funds at both fixed and variable interest rates. The Group manages such risk by maintaining an appropriate mix between fixed and variable rate borrowings and by using interest rate swap instruments, when due necessary. The Group is exposed to fluctuations in US\$ LIBOR interest rates charged on its loans and financing (Note 10).

Due to the debt restructuring plan, the Group and its creditors agreed to unwind the previous existing swaps due to the new debt structure and new contract terms and conditions. The Group will conduct an effective monitoring of any interest rate exposure, reassessing the respective risks based on the new terms and conditions agreed post debt restructuring.

Currency exchange rate risk

Customer contracts are structured to provide payments both in US Dollars and in local currency (mostly BRL). Revenue received in local currency is substantially used to pay for costs, goods or employees in local currency. Transactions denominated in other currencies other than US Dollar or Brazilian Real are limited, so there is no material exposure related to currency exchange rate risk in the Group.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and considers the effects of an increase or decrease of 0.1% on outstanding loans and financing and the effects of either an increase or a decrease of 0.1% in the interest curve (LIBOR) at the balance sheet date. For variable rate liabilities (US\$ LIBOR plus spread), the analysis is prepared assuming that the liability amount outstanding at the end of the reporting period was outstanding for the entire period. A 0.1% 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.

Risk: interest rate variation	March 31, 2022	Scenario I ⁽ⁱ⁾	Scenario II ⁽ⁱⁱ⁾
		Increase/ (decrease) in P&L	
Variable interest rate loans	166,246	(166)	166
Variable interest rate financing	804,740	(805)	805
Total	970,986	(971)	971

(i) Decrease of 0.1% in interest rate.

(ii) Increase of 0.1% in interest rate.

c) Capital management

The Group manages its capital structure, consisting of the relation between equity/debt mix in accordance with best market practices, as follows:

	March 31, 2022	December 31, 2021
Loans and financing ^(a)	1,966,706	1,933,943
Cash transactions ^(b)	(82,852)	(100,219)
Net debt ^(c)	1,883,854	1,833,724
Shareholders' equity ^(d)	221,296	275,403
Net debt on shareholders' equity plus net debt ^{[(c)] ÷ [(c) + (d)]}	89%	87%

(a) Consider all loans and financing balances.

(b) Includes cash and cash equivalents, short-term investments and restricted cash balances.

(c) Loans and financing net of cash transactions.

(d) Includes all shareholders' equity accounts.

20. INSURANCE (Unaudited)

As of March 31, 2022 and December 31, 2021, major assets or interests covered by insurance policies and their respective coverage amounts are summarized below:

	March 31, 2022	December 31, 2021
Civil liability	1,785,500	1,785,500
Operating risks	1,567,568	1,498,784
Operational headquarter and others	14,034	13,512
Total	3,367,102	3,297,796

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

21. PENSION AND RETENTION PLANS

a) 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. Serviços de Petróleo's only obligation to the Pension Plan is to make its specified contributions.

For the the three-month period ended March 31, 2022, contributions payable by Serviços de Petróleo at the rates specified by the plan reversed amounts to US\$218 (registered US\$749 for December 31, 2021).

b) Retention Plan

The Group has offered a retention agreement as of December 17, 2020 (the “Agreement”) for the benefit of eligible employees of the Group in connection with the start of a new phase of renegotiation of its indebtedness. The purpose of the Agreement is to provide a retention bonus for those employees that stay 12 months after the completion of the new debt restructuring of the Group. The new debt restructuring was be considered concluded with the judicial homologation (“homologação judicial”) of the approval of the Amendment to the Judicial Recovery Plan. The amount of US\$1,536 has been paid in January 2021, US\$480 was paid in May 2021 and after the completion of the restructuring, the remaining amount of US\$ 2,769 was paid in June 2022.

22. OPERATING LEASE RECEIVABLES

Below the undiscounted amounts to be received on an annual basis for the period of the current contracts of the Group’s fleet (contract rates).

	March 31, 2022	December 31, 2021
Amounts receivable under operating leases		
2022	430,726	437,549
2023	487,444	383,926
2024	274,996	243,871
2025	84,579	73,760
Total	<u>1,277,745</u>	<u>1,139,106</u>

23. SUBSEQUENT EVENTS

Restructuring updates and offshore drilling rigs charter and service rendering agreements

Note 1 – General Information discloses several subsequent events related to charter contracts and the provision of operating services for the Amaralina Star, Lone Star, Gold Star, Olinda Star rigs and the onshore rig QG-VIII, as well as updated information on the restructuring process of the Group.

Merger BVI entities

On June 2, 2022, the merger of companies Snover International Inc., Alaskan Star Ltd., Hopelake Services Ltd., Amaralina Star Holdco 1 Ltd., Amaralina Star Holdco 2 Ltd., Laguna Star Holdco 1 Ltd., Laguna Star Holdco 2 Ltd., Brava Star Holdco 1 Ltd., Brava Star Holdco 2 Ltd., Snover International Inc. and Lancaster Projects Holdco 1 Ltd. into Constellation Overseas was completed and the aforementioned companies should be disregarded from the corporate structure of the Group.

On July 15, 2022 the merger of company Lancaster Projects Corp. into Constellation Overseas was completed and the aforementioned company should be disregarded from the corporate structure of the Group.

Liquidation QGOG Constellation UK

On July 05, 2022 the Group was notified that the process of liquidation of the company QGOG Constellation UK was completed.

24. APPROVAL OF THE CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Consolidated financial information was approved by the Company's Management and authorized for issuance on August 10, 2022.

Atendimento Prisma