QGOG Constellation S.A.

Combined Financial Statements as of December 31, 2011 and 2010 and for the Three Years Ended December 31, 2011 and Report of Independent Registered Public Accounting Firm

Deloitte Touche Tohmatsu Auditores Independentes

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Deloitte.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
QGOG Constellation S.A.
Luxembourg

We have audited the accompanying combined statements of financial position of QGOG Constellation S.A. (the "Company") as of December 31, 2011 and 2010, and the related combined statements of operations, comprehensive loss, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2011. These combined financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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In our opinion, such combined financial statements present fairly, in all material respects, the financial position of QGOG Constellation S.A. as of December 31, 2011 and 2010, and the combined results of its operations and its combined cash flows for each of the three years in the period ended December 31, 2011, in conformity with International Financial Reporting Standards - IFRS, as issued by the International Accounting Standards Board - IASB.

As discussed in Note 31, the Company has restated its financial statements as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011.

/s/ DELOITTE TOUCHE TOHMATSU
Rio de Janeiro, Brazil
January 29, 2013

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QGOG CONSTELLATION S.A.

COMBINED STATEMENT
OF FINANCIAL POSITION AS OF DECEMBER 31, 2011 AND 2010
(in thousands of U.S. dollars)

ASSETS	Note	2011 (As restated)	2010 (As restated)
CURRENT ASSETS			
Cash and cash equivalents	6	188,938	84,301
Short-term investments	7	138,672	8,544
Restricted cash	8	26,325	29,602
Trade and other receivables	9	57,827	93,300
Inventories	10	69,964	49,465
Deferred mobilization costs		7,962	5,094
Recoverable taxes	24.a	1,114	7,839
Receivables from related parties	11	360	629
Derivatives	18	-	1,237
Deferred taxes		163	23
Other current assets		16,388	14,053
		507,713	294,087
NON-CURRENT ASSETS			
Receivables from related parties	11	173,585	110,477
Deferred mobilization costs		29,912	20,429
Derivatives	18	-	7,416
Interests in joint ventures	12	22,981	20,507
Other non-current assets		6,944	4,695
Deferred taxes		365	10
Property, plant and equipment, net	13	3,992,601	3,220,909
		4,226,388	3,384,443
TOTAL ASSETS		4,734,101	3,678,530

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QGOG CONSTELLATION S.A.

COMBINED STATEMENT
OF FINANCIAL POSITION AS OF DECEMBER 31, 2011 AND 2010
(in thousands of U.S. dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2011 (As restated)	2010 (As restated)
CURRENT LIABILITIES			
Loans and financing	15	731,190	769,545
Accrued liabilities	14	722,536	69,646
Payroll and related charges		36,101	20,134
Derivatives	18	30,806	22,189
Trade and other payables		27,900	16,998
Deferred mobilization revenue		13,801	6,422
Payables to related parties	11	4,278	41,257
Taxes payables	24.b	2,988	1,329
Provisions	16	8,468	39,808
Other current liabilities		19,725	14,486
		1,597,793	1,001,814
NON-CURRENT LIABILITIES			
Loans and financing	15	1,709,332	1,236,804
Payables to related parties	11	130,639	98,411
Derivatives	18	102,904	76,158
Deferred mobilization revenue		49,871	25,591
Deferred income taxes	24.c	9,415	12,159
Other non-current liabilities		11,711	616
		2,013,872	1,449,739
TOTAL LIABILITIES		3,611,665	2,451,553
SHAREHOLDER´S EQUITY			
Capital	19	131,045	130,987
Share premium	19	395,082	395,082
Other reserves		(5,322)	27,670
Retained earnings		627,904	673,238
Equity attributable to the owners of the Group		1,148,709	1,226,977
Non-controlling interest		(26,273)	-
		1,122,436	1,226,977
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,734,101	3,678,530

The accompanying notes are an integral part of these combined financial statements.

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QGOG CONSTELLATION S.A.

COMBINED STATEMENT OF OPERATIONS
FOR THE THREE YEARS ENDED DECEMBER 31, 2011
(in thousands of U.S. dollars, except for the loss per thousand shares)

	Note	2011 (As restated)	2010 (As restated)	2009 (As restated)
NET OPERATING REVENUE	20	586,331	346,765	156,558
COSTS OF SERVICES	21	(466,146)	(264,454)	(141,186)
GROSS PROFIT		120,185	82,311	15,372
General and administrative expenses	21	(29,788)	(24,699)	(19,962)
Other income	22	707	942	3,407
Other expenses	22	(12,003)	(35,203)	(19,288)
OPERATING PROFIT (LOSS)		79,101	23,351	(20,471)
Financial income	23	3,419	3,564	2,601
Financial cost	23	(121,926)	(79,897)	(34,568)
FINANCIAL COSTS, NET		(118,507)	(76,333)	(31,967)
Share of results of joint ventures	12	1,028	6,195	6,815
LOSS BEFORE TAXES		(38,378)	(46,787)	(45,623)
Taxes	24.d	(5,146)	1,459	946
LOSS FOR THE YEAR		(43,524)	(45,328)	(44,677)
Loss attributed to the owners of Group		(39,713)	(45,328)	(44,677)
Loss attributed to non-controlling interest		(3,811)	-	-
Loss per share				
Basic	19	(0.233)	(0.266)	(0.262)
Diluted	19	(0.233)	(0.266)	(0.262)

The accompanying notes are an integral part of these combined financial statements.

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QGOG CONSTELLATION S.A.

COMBINED STATEMENT OF COMPREHENSIVE LOSS
FOR THE THREE YEARS ENDED DECEMBER 31, 2011
(in thousands of U.S. dollars)

	Note	2011 (As restated)	2010 (As restated)	2009 (As restated)
LOSS FOR THE YEAR		(43,524)	(45,328)	(44,677)
OTHER COMPREHENSIVE INCOME (LOSS)				
Cash flow hedge fair value adjustments	18	(49,916)	-	-
Currency translation differences		(5,538)	2,254	21,123
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(98,978)	(43,074)	(23,554)
Loss attributed to the owners of the Company		(72,705)	(43,074)	(23,554)
Loss attributed to non-controlling interest		(26,273)	-	-

The accompanying notes are an integral part of these combined financial statements.

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QGOG CONSTELLATION S.A.

COMBINED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 2011
(in thousands of U.S. dollars)

	Note	Constellation Oveseas Ltd. Capital	QGOG Constellation S.A. Capital	Total capital	Share premium	Other reserves: Cash flow hedges fair value adjustments	Other reserves: Currency translations	Retained earnings	Shareholders' equity attributable to the owners of the Company	Shareholders' equity attributable to non-controlling interest	Total of shareholders equity
BALANCE AS OF JANUARY 1, 2009 (as originally reported)		105,394	-	105,394	-	-	4,293	753,727	863,414	-	863,414
Error adjustment	32	-	-	-	-	-	-	(775)	(775)	-	(775)
RESTATED BALANCE AS OF JANUARY 1, 2009		105,394	-	105,394	-	-	4,293	752,952	862,639	-	862,639
Loss for the year		-	-	-	-	-	-	(44,677)	(44,677)	-	(44,677)
Other comprehensive income for the year		-	-	-	-	-	21,123	-	21,123	-	21,123
Total comprehensive loss for the year		-	-	-	-	-	21,123	(44,677)	(23,554)	-	(23,554)
Shareholders' contribution	19	-	-	-	-	-	-	19,218	19,218	-	19,218
BALANCE AS OF DECEMBER 31, 2009 (as restated)		105,394	-	105,394	-	-	25,416	727,493	858,303	-	858,303
Loss for the year		-	-	-	-	-	-	(45,328)	(45,328)	-	(45,328)
Other comprehensive income for the year		-	-	-	-	-	2,254	-	2,254	-	2,254
Total comprehensive loss for the year		-	-	-	-	-	2,254	(45,328)	(43,074)	-	(43,074)
Capital increase as of June 15, 2010 - issuance of 10,869,909 shares	19	25,593	-	25,593	404,407	-	-	-	430,000	-	430,000
Transaction costs on the issuance of shares	19	-	-	-	(9,325)	-	-	-	(9,325)	-	(9,325)
Shareholders' contribution	19	-	-	-	-	-	-	28,783	28,783	-	28,783
Distribution to shareholders	19	-	-	-	-	-	-	(37,710)	(37,710)	-	(37,710)
BALANCE AS OF DECEMBER 31, 2010 (as restated)		130,987	-	130,987	395,082	-	27,670	673,238	1,226,977	-	1,226,977
Loss for the year		-	-	-	-	-	-	(39,713)	(39,713)	(3,811)	(43,524)
Other comprehensive loss for the year		-	-	-	-	(27,454)	(5,538)	-	(32,992)	(22,462)	(55,454)
Total comprehensive loss for the year		-	-	-	-	(27,454)	(5,538)	(39,713)	(72,705)	(26,273)	(98,978)
Capital increase as of August 30, 2011 - issuance of 400,000 shares			58	58	-	-	-	-	58	-	58
Distribution to shareholders	19	-	-	-	-	-	-	(5,621)	(5,621)	-	(5,621)
BALANCE AS OF DECEMBER 31, 2011 (as restated)		130,987	58	131,045	395,082	(27,454)	22,132	627,904	1,148,709	(26,273)	1,122,436

The accompanying notes are an integral part of these combined financial statements.

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QGOG CONSTELLATION S.A.

COMBINED STATEMENT OF CASH FLOWS
FOR THE THREE YEARS ENDED DECEMBER 31, 2011
(in thousands of U.S. dollars)

	Note	2011 (As restated)	2010 (As restated)	2009 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year		(43,524)	(45,328)	(44,677)
Adjustments for:				
Recognition of mobilization revenues		(9,916)	(4,045)	(635)
Recognition of mobilization costs		6,216	2,954	-
Depreciation of property, plant and equipment	13,21	131,328	90,621	49,480
Gain on disposals of property, plant and equipment		(369)	(726)	(1,189)
Share of results of joint ventures	12	(1,028)	(6,195)	(6,815)
Provisions for penalties	16,22	10,796	35,037	17,309
Financial charges on loans and financings	23	60,012	25,865	24,711
Financial expenses (income) from related parties, net	23	15,387	6,102	(169)
Derivative contracts	18.23	40,753	41,215	1,196
Other financial expenses (income), net	23	2,355	3,152	6,229
Taxes	24.d	5,146	(1,459)	(946)
		217,156	147,193	44,494
Changes in working capital:				
(Increase)/decrease in short-term investments		(131,763)	27,627	(15,161)
(Increase)/decrease restricted cash		3,277	(29,602)	-
(Increase)/decrease in trade and other receivables		32,835	(49,851)	(30,748)
(Increase) in inventories		(24,142)	(14,689)	(16,672)
(Increase)/decrease in recoverable taxes		6,550	(1,487)	591
(Increase)/decrease in deferred mobilization costs		(18,567)	(16,406)	(12,071)
(Increase)/decrease in deferred taxes over mobilization revenue		(495)	23	23
(Increase) in other assets		(5,420)	(8,324)	(3,771)
Increase in payroll and related charges		20,401	4,701	6,843
Increase in trade and other payables		13,496	4,693	10,964
Decrease in payables to related parties		(5,094)	(173)	(361)
Increase (decrease) in taxes payables		1,850	199	(76)
Increase (decrease) in provisions		(42,136)	(12,546)	8
Increase (decrease) in deferred mobilization revenue		41,575	19,322	16,517
Increase (decrease) in other liabilities		8,347	8,717	(9,872)
Net cash generated by (used in) operating activities		117,870	79,397	(9,292)
CASH FLOWS FROM INVESTING ACTIVITIES				
Loans to related parties	11	(48,323)	(103,014)	-
Advances to suppliers relating to equipment under construction	13	-	(212,615)	-
Acquisition of property, plant and equipment		(230,194)	(485,135)	(394,331)
Proceeds from sales of property, plant and equipment	22	707	892	3,168
Net cash used in investing activities		(277,810)	(799,872)	(391,163)
CASH FLOW FROM FINANCING ACTIVITIES				
Payments to related parties	11	(11,201)	(6,280)	-
Loans from related parties	11	17,288	95,677	-
Proceeds from loans and financing, net of transactions costs and debt discount	15	1,752,005	608,393	539,981
Interest paid on loans and financing	15	(75,743)	(59,846)	(32,000)
Cash payments on derivative contracts	18	(54,509)	(29,323)	(3,097)
Repayment of principal on loans and financing	15	(1,322,187)	(318,818)	(156,386)
Capital increase	19	58	420,675	-
Contributions from (distributions to) shareholders	19	(43,331)	28,783	19,218
Net cash generated by financing activities		262,380	739,261	367,716
Increase (decrease) in cash and cash equivalents		102,440	18,786	(32,739)
Cash and cash equivalents at beginning of year		84,301	63,074	88,356
Effects of exchange rate changes on the balance of cash held in the foreign currencies		2,197	2,441	7,457
Cash and cash equivalents at end of year	6	188,938	84,301	63,074

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The accompanying notes are an integral part of these combined financial statements.

1. GENERAL INFORMATION

The combined financial statements include the QGOG Constellation S.A and Constellation Overseas Ltd. and its subsidiaries ("the Group").

- QGOG Constellation S.A., ("QGOG Constellation" or "the Company") was incorporated in Luxembourg in August 30, 2011 as a "société anonyme". The Company has its registered address at 40, Avenue Monterey, L-2163 Luxembourg.

- Constellation Overseas Ltd. ("Constellation") was incorporated on April 7, 2006 in the British Virgin Islands and operates under the jurisdiction thereof. The address of the registered office is Vanterpool Plaza, 2nd floor Wickhams Cay I, Road Town, Tortola, British Virgin Islands.

QGOG Constellation S.A and Constellation Overseas Ltd. are directly controlled by members of the Queiroz Galvão family.

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QGOG Constellation S.A.

QGOG Constellation's objective is to hold investments in Luxembourg or foreign enterprises; 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 the Company shall deem fit, and generally to hold, manage, develop, sell or dispose of the same, in whole or in part, for such consideration as the Company may think fit, and in particular for shares or securities of any company purchasing the same; to enter into, assist or participate in financial, commercial and other transactions, and to grant to any holding company, subsidiary, or fellow subsidiary, or any other company associated in any way with the Company, or the said holding company, subsidiary or fellow subsidiary, in which the Company has a direct or indirect financial interest, any assistance, loans, advances or guarantees; to borrow and raise money in any manner and to secure the repayment of any money borrowed; and finally, to perform any operation which is directly or indirectly related to its purpose.

In May 2012, in connection with a corporate reorganization, QGOG Constellation changed its share capital from 1,200,000 ordinary shares with a nominal value of €40 to 150,000 common shares with a nominal value of US$50. On the same date, in exchange for the contribution of Constellation, QGOG Constellation issued 166,747,338 common shares with a nominal value of US$0.33 per share, representing an exchange ratio of one common share of QGOG Constellation for each share of Constellation. As a result, QGOG Constellation S.A. owns indirectly Constellation Overseas and all of the charter and drilling services operations controlled by the Company's shareholders through five wholly-owned sub-holdings. Since QGOG Constellation and Constellation are under common control, this transaction was recorded using the historical book value of Constellation's assets and liabilities.

QGOG Constellation is in process of implementing the second stage of the corporate reorganization which is related to its directly wholly owned subsidiaries. This restructuring will not result in any impact to the Company's consolidated financial statements. Following is a description of such directly wholly owned sub-holdings:

- QGOG Star GmbH, an entity organized under the laws of Switzerland, which wholly-owns Constellation Overseas Ltd.. Constellation currently wholly-owns, directly and indirectly, the entities which charter and operate onshore and offshore drilling rigs to oil and gas exploration companies.

- Arazi S.à.r.l, currently a wholly-owned subsidiary of Constellation, is an entity organized under the laws of Luxembourg, which holds investments in the following Floating, Production, Storage and Offloading - FPSO vessels: FPSO Capixaba, FPSO Cidade de Ilhabela and FPSO Cidade de Paraty. This entity will be directly owned by QGOG Constellation.

- Constellation Netherlands B.V., an entity organized under the laws of the Netherlands on April, 2012, which will indirectly wholly-own the entities that are party to Constellation's offshore charter agreements with Petróleo Brasileiro S.A. ("Petrobras"), excepted the agreements related to Eiffel Rigde C.V.(Lone and Gold offshore drilling rigs).

- Centaurus S.à.r.l., currently a wholly-owned subsidiary of Constellation, is an entity organized under the laws of Luxembourg, which wholly-owns Eiffel Ridge C.V. an entity that is party to Constellation's offshore charter agreements with Petrobras related to Lone and Gold offshore drilling rigs.

- Angra Participações B.V, ("Angra") an entity organized under the laws of Netherlands on May 12, 2012, which will hold a 15% equity interest in three Special Purpose Entities, each with an ultra-deepwater semi-submersible rigs (Urca, Bracuhy and Mangaratiba) in partnership with Sete Brasil.

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The corporate reorganization is driven by improved corporate governance structure and tax efficiency.

The QGOG Constellation's fiscal year is from January 1 to December 31, except for its first year, which started at August 30, 2011, the incorporation date.

<u>Constellation Overseas Ltd</u>

The Constellation and its subsidiaries are authorized to: (a) hold interests in other companies; and (b) acquire, charter and operate drilling equipment and ships.

The Constellation has investments in subsidiaries that charter and operate onshore and offshore drilling rigs for exploration and production companies operating in Brazil. Currently, the Group charters rigs mainly to Petrobras, and also to OGX Maranhão Petróleo e Gás Ltda. and HRT O&G Exploração e Produção de Petróleo Ltda. ("exploration and production companies").

The Group's fleet of assets is currently comprised of:

Assets	Type	Start of operations
QG-I	Onshore drilling rig	1981
QG-II	Onshore drilling rig	1981
QG-III	Onshore drilling rig	1987
QG-IV	Onshore drilling rig	1996
QG-V(1)	Onshore drilling rig	2011
QG-VI	Onshore drilling rig	2008
QG-VII	Onshore drilling rig	2008
QG-VIII(1)	Onshore drilling rig	2011
QG-IX(1)	Onshore drilling rig	2011
Alaskan Star(2)	Offshore drilling rig	1994
Atlantic Star(3)	Offshore drilling rig	1996
Olinda Star (4)	Offshore drilling rig	2009
Gold Star (5)	Offshore drilling rig	2010
Lone Star(1)	Offshore drilling rig	2011
Alpha Star(1)	Offshore drilling rig	2011
Amaralina Star (6)	Drillship	Under Construction
Laguna Star (6)	Drillship	Under Construction

(1) The start of charter and operation of drilling rigs in 2011 began in the following months: on April - Lone Star, QG-V, QG-VIII and QG-IX; and on July - Alpha Star.

(2) From the beginning of July 2010 until the end of November 2010 the Alaskan Star rig was offline for upgrade. Operation and charter restarted in December 2010.

(3) In July 2010, the Atlantic Star rig had an incident with no damage to the structure of the platform or loss of the equipment involved. The rig management was able to take advantage of the resulting interruption to operations to bring forward to October 2010 an upgrade which previously had been scheduled for a later period. The upgrade was concluded in February 2011.

(4) The start of charter and operation of Olinda Star rig was in August 2009.

(5) The start of charter and operation of Gold Star rig was in February 2010.

(6) Construction of Amaralina Star and Laguna Star in partnership with Alperton Capital Limited ("Delba") was concluded in July and September, 2012, respectively as described in Note 29. Amaralina Star and Laguna Star started their operations in September and November, 2012, respectively.

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Additionally, in January 2010, the Group entered into a consortium agreement with BWO Offshores do Brasil Ltda. ("BWO") to operate FPSO Papaterra (P-63) which is owned by Petrobras. The Group has 40% and BWO, the leader of the consortium, holds the remaining 60%. This agreement covers the production start-up period and progressive hand-over of the operation to Petrobras. The FPSO Papaterra is expected to start its operations in the third quarter of 2013. As of December 31, 2011, the Group had not made any investments in this consortium. The Group will account for its interest in the consortium using the equity method of accounting.

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As of December 31, 2011, the Group presents negative working capital in the amount of US$1,090,080 (US$707,727 in 2010), mainly as a result of investments made during the last 2 years in onshore and offshore drilling rigs and drillship equipment. The working capital deficiency as of December 31, 2011 is principally related to accrued liabilities in the amount of US$722,536 related to the construction of the Amaralina and Laguna Star drillships (Note 14). The Group's strategy in relation to this working capital deficiency includes a long-term debt facility which negotiation process commenced in 2011 with the banks and the loan agreements of US$943,863 signed on March 27, 2012 relating to these drillships. This debt facility has a term of up to 6 years. Given the Group's significant backlog of US$6,922,155 (which includes US$593,080 of bonus performance) relating to existing contracts as of December 31, 2011, Management is also exploring other opportunities to obtain additional long-term financing.

Although the Group has long-term contracts, the operations are indirectly dependent upon conditions in the oil and natural gas industry and, specifically, on the exploration and production expenditures of oil and natural gas companies. The demand for charter and operate contracts for drilling and related services provided to the Group's customers is influenced by, among other things, oil and natural gas prices, expectations about future prices, the cost of producing and delivering oil and natural gas, government regulations and local and international political and economic conditions.

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Capital increase by private equity fund

On June 15, 2010, Constellation entered into a Share Subscription Agreement with CIPEF Constellation Coinvestment Fund, L.P. (Capital 1), and CIPEF V Constellation Holding, L.P. (Capital 2). Under this Agreement, Capital 1 and Capital 2 (together, "Capital") subscribed US$430,000, before transaction costs and expenses of US$9,325, for the share capital of Constellation in exchange for a total of 19.54% of its common shares (Note 19) (the "Capital Increase").

Consolidation of Queiroz Galvão Óleo e Gás S.A. ("QGOG")

In connection with the Capital Increase, Constellation agreed to consolidate the oil and gas drilling operations of QGOG. The Constellation also entered into a Cost Sharing Agreement with QGOG's parent company, Queiroz Galvão S.A. ("QG S.A."), which required that Constellation share the costs relating to QGOG's oil and gas drilling business activities. Prior to the date of this agreement, QGOG had been engaged in two separate businesses, (i) oil and gas exploration and production activities and (ii) oil and gas drilling business activities. These businesses have been managed and financed historically as if they were autonomous and have no more than incidental common facilities and costs. Simultaneously with the execution of this agreement, the oil and gas exploration and production assets were spun-off so that only the oil and gas drilling assets and liabilities remained in QGOG. Constellation and QGOG were under common control for all periods presented. In connection with the Capital Increase, Constellation also assumed an obligation to acquire the share capital of QGOG for US$37,710, representing the book value of the QGOG net assets after the spin-off of the oil and gas drilling assets and liabilities, for which a payable to QG S.A. was recognized on June 15, 2010.

In September 2011, QG S.A. and Constellation (through QGOG Participações S.A., its indirect wholly owned subsidiary), entered into a Share Purchase Agreement, pursuant to which Constellation purchased 49% of the outstanding common shares and 100% of the outstanding preferred shares of QGOG for R$53,154 thousand (US$32,768). In connection with this agreement, Constellation also entered into a call option agreement with QG S.A. to give Constellation the right to purchase the remaining 51% of QGOG's common shares for R$17,836 thousand (US$10,563). Constellation advanced R$17,835 thousand (US$10,563) of this amount to QG S.A., with R$1 thousand remaining unpaid by Constellation and due upon its exercise of the option. The call option is exercisable at any time in the sole discretion of Constellation. As a result of this call option, the Constellation effectively controls QGOG.

Because Constellation and QGOG were under common control for all years presented, (i) the operations of the oil drilling business of QGOG have been retroactively consolidated in the Constellation consolidated financial statements and (ii) the payable and amounts paid to QG S.A. have been recognized as reductions in the retained earnings of the Group.

Share Split

On January 29, 2013, the Company effected a one-for-three forward share split of its common shares. All references to common share values in these combined financial statements have been retroactively adjusted to reflect this forward split.

Share Dividend

On January 29, 2013, the Company's shareholders approved a share dividend of 3,580,026 common shares. The shares were issued pro-rata to the Company's existing shareholders. All references to common share values in these combined financial statements have been retroactively adjusted to reflect this share dividend.

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2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1. Standards in issue but not yet effective

The Group has not adopted early the following new and revised standards and interpretations that have been issued but are not yet effective:

Standard or interpretation	Description	Effective date for annual period beginning on or after
IFRS 1 (amended)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	July 1, 2011
IFRS 1 (amended)	Government Loans	January 1, 2013
IFRS 7 (amended)	Disclosures - Transfers of Financial Assets	July 1, 2011
IFRS 7 (amended)	Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
IFRS 9 (revised in 2010)	Financial Instruments	January 1, 2015
IFRS 10	Consolidated Financial Statements	January 1, 2013
IFRS 11	Joint Arrangements	January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2013
IFRS 13	Fair Value Measurement	January 1, 2013
IAS 1 (amended)	Presentation of Items from Other Comprehensive Income	July 1, 2012
IAS 12 (amended)	Deferred Tax: Recovery of Underlying Assets	January 1, 2012
IAS 19 (revised in 2011)	Employee Benefits	January 1, 2013
IAS 27 (revised in 2011)	Separate Financial Statements	January 1, 2013
IAS 28 (revised in 2011)	Investments in Associates and Joint Ventures	January 1, 2013
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities	January 1, 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

The amendments to IFRS 1 remove the fixed dates for first-time adopters, provide guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation and address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs.

The amendments to IFRS 7 modifies the information required when financial assets are transferred in order to promote transparency and to facilitate an analysis of how the risks may affect the entity's financial situation and also requires disclosure of information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. This standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss - in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

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IFRS 10 establishes clarifications and new parameters for defining control, as well as the principles for preparing consolidated financial statements that apply to all entities (including special purpose entities or structured entities).
IFRS 11 redefines the concept of joint control, aligning with IFRS 10 and requiring that entities that are part of a joint agreement determine the type of agreement (joint operation or joint business) by evaluating their rights and obligations. The standard eliminates the possibility of proportional consolidation for joint businesses.

IFRS 12 requires certain disclosures that allow for assessing the nature of the stake held in other entities and the risks involved, as well as how these stakes affect the entity's financial situation, financial performance, and cash flows.

IFRS 13 establishes, in a single standard, a framework for assessing the fair value of assets and liabilities, and incorporates new concepts and clarifications for this assessment. It also requires that the entities disclose certain information on the assessment of the fair value of their assets and liabilities.

The amendments to IAS 1 change the way other comprehensive income is presented.

IAS 12 is amended to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

The amendments to IAS 19 revise requirements for pensions and other post-retirement benefits, termination benefits and other changes.

IAS 27 is amended for confirming changes based on the issuance of IFRS 10. The IAS 27 revised in 2011 refers only to separate financial statements.

IAS 28 is amended for conforming changes based on the issuance of IFRS 10, IFRS 11 and IFRS 12.

The amendments to IAS 32 clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of currently has a legally enforceable right of set-off', the application of simultaneous realization and settlement, the offsetting of collateral amounts, the unit of account for applying the offsetting requirements.

IFRIC 20 is an interpretation that clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement. These interpretation requires stripping activity costs which provide improved access to ore are recognised as a non-current stripping activity asset when certain criteria are met. The stripping activity asset is depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units of production method unless another method is more appropriate.

The Group's management is still assessing the impact of these pronouncements and interpretations on its combined financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Statements of compliance

The combined financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB").

3.2. Basis of preparation of combination and consolidation

Combination

As described in Note 1, in May 2012, the Company's controlling shareholders completed a corporate restructuring resulting in Constellation becoming a wholly owned indirect subsidiary of QGOG Constellation. This corporate restructuring was accounted for at historical cost as QGOG Constellation and Constellation are under common management and control. These financial statements have been prepared by combining the historical financial statements of QGOG Constellation S.A. and the consolidated financial statements of Constellation Overseas Ltd and its subsidiaries.

Consolidation

The combined financial statements incorporate QGOG Constellation and the operations of Constellation Overseas Ltd. and its controlled entities , and, as described in Note 1, the oil drilling operations of QGOG since the Constellation and QGOG were under common control for all years presented. Control is achieved where the Constellation has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

For purposes of the retrospectively consolidating the oil drilling business of QGOG, the following assets, liabilities, revenue, expenses and cash flows were carved-out from QGOG's historical financial statements for periods prior to the restructuring of QGOG as described in Note 1.

a) Assets consisting mainly of trade receivables, inventories, and property, plant and equipment;
b) Liabilities consisting mainly of trade and salaries payable;
c) Net operating revenue relating to the onshore drilling rigs services agreements with Petrobras;
d) Costs of services relating to staff, materials and maintenance;
e) Operating expenses that are recorded and controlled in specific cost centers in QGOG's historical accounting records; and
f) Cash flows consisting of specifically identified transactions based on the historical accounting records.

3.3. Functional currency

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The functional currency of Constellation and the majority of its subsidiaries is the U.S. Dollar since majority of the revenues and costs, debt and capital expenditures are denominated in this currency. The combined financial statements are presented in U.S. Dollars, which is the presentation currency of the Group.

The QGOG Constellation has determined that the Euro ("€") is its functional currency since the Company's assets and liabilities are denominated in Euro.

Additionally, the Group has determined that the Brazilian real is the functional currency of QGOG, QGOG Participações, Tarsus and Manisa, since these Companies operations are located in Brazil and the majority of the operations are denominated in the Brazilian real. Consequently, in preparing these consolidated and combined financial statements, Management has translated the financial statements of these companies into US Dollars as follows:

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

All resulting exchange differences on currency translation differences are recognized as a separate component of other comprehensive income.

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

3.4. Reportable segments

Management has concluded that the Group operates in a single segment, the oil and gas drilling services segment. The Group operates in one geographical area, Brazil. Additionally, net revenue is mainly from transactions with one customer, Petrobras.

3.5. Current and noncurrent assets and liabilities

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

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3.6. Inventories

Inventories refer basically to materials to be used in the operations of the rigs and are recorded at the lower of cost and net realizable value. Costs of inventories are determined using average cost.

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

All property, plant and equipment is carried at cost less accumulated depreciation. Property, plant and equipment consist primarily of offshore and onshore drilling rigs and related equipment.

The equipment under construction is constructed by a third party shipyard and the related cost is recognized as PP&E cost, in accordance with the actual construction costs. A provision for corresponding unbilled costs from the shipyard and suppliers is recorded as an accrued liability.

Borrowing costs are capitalized on equipment under construction.

Repair and maintenance costs related to periodic overhauls of drilling units are capitalized, when the economic benefits associate with the item inflow to the Group and the cost can be measured reliable. These costs are depreciated over the period extending to the next overhaul. Related costs are comprised mainly of shipyard costs and the costs of employees directly involved in the related project. All other repairs and maintenance are charged to the statement of operations during the financial period in which they are incurred.

The carrying values of these assets are based on estimates, assumptions and judgments relating to capitalized costs, useful lives and residual values of the rigs. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future industry conditions and operations. The Group computes depreciation using the straight-line method, taking into account the respective residual values of the related assets. When significant parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. At the end of each year, the Group reviews the estimated useful lives and residual values of the property, plant and equipment.

3.8. Impairment of long-lived assets

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

Recoverable amounts are determined based on discounted cash flows calculations. These calculations require the use of estimates.

No impairment losses on long-lived assets have been recognized by the Group for the year presented.

3.9. Cash and cash equivalents

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

3.10. Short-term investments

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

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3.11. Investments in joint ventures

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

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's joint ventures. When necessary, the entire carrying amount of the joint ventures is tested for impairment in accordance with IAS 36 Impairment of Assets, as a single asset by comparing its recoverable amount (higher of value in use, measured by the discounted cash flow, and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the joint ventures. The reversal of an impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the joint ventures subsequently increases, other than where that impairment loss relates to goodwill. No impairment losses have been recognized on the Group's investments in joint ventures.
When a Group entity transacts with a joint ventures, profit and losses resulting from the transactions with the joint ventures are recognized in the Constellation's consolidated financial statements only to the extent of interests in the joint ventures that are not related to the Group.

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3.12. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Contingent risks assessed as "possible loss" are disclosed by Management but not recorded in a specific account.

3.13. Revenue recognition

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

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

Revenue is shown net of the related sales taxes after eliminating intercompany sales.

3.14. Borrowing costs

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

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

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

3.15. Current and deferred income tax and social contribution in the period

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

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

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3.16. Financial instruments

Financial assets and liabilities

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

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

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

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

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

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

i. Financial liabilities measured at fair value through profit and loss: these include financial liabilities normally traded prior to maturity, liabilities designated upon initial recognition at fair value, except those designated as hedge instruments. They are remarked to fair value at each balance sheet date. The interest, monetary and exchange variations and variations resulting from the fair value, when applicable, are recognized in profit or loss, when incurred. The Group has no financial liabilities in this category.

ii. Financial liabilities not measured at fair value: non-derivative financial liabilities that are not normally traded prior to maturity. After initial recognition they are measured on the amortized cost based on the effective interest rate method. The interest, monetary and exchange variation, when applicable, are recognized in profit or loss when incurred. The Group has loans and financings, trade accounts payable, payables to related parties and other liabilities, which are classified in this category.

Impairment of financial assets

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

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Derivative financial instruments

The Group enters into derivative financial instruments, including interest rate swaps, to manage its exposure to interest rate risk. These derivatives are measured at fair value at inception and at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group had no derivatives financial instruments designated for hedge accounting as of December 31, 2010 and 2009.

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

Further details on derivative financial instruments are disclosed in Note 18.

Hedge accounting

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

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

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

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

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

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Derecognition of financial assets and financial liabilities

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

4. CRITICAL ACCOUNTING ESTIMATES

In applying the accounting policies described in Note 3, management must judge and develop estimates for the carrying values of assets and liabilities which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Future results could differ from those estimates.

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

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

4.1. Measurement of financial instruments

The Group uses valuation techniques that include the use of inputs that are or not based on observable market data to estimate the fair values of certain types of financial instruments. Note 25 contain details of the main assumptions used to measure the fair values of financial instruments.

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

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4.2. Provisions for claims and other obligations

Claims against the Group, including uncertainty claims, are recognized as a liability and/or are disclosed in the footnotes, unless the likelihood of loss is considered to be remote. A provision for claims and other obligations is recorded when the loss is probable and the amount can be reliably estimated. Claims and other similar obligations will be settled when one or more future events occur. Normally, the occurrence of these events is not within control of the Group and therefore, the assessment of these liabilities, is subject to varying degrees of legal uncertainty and interpretation, and requires significant estimates and judgments to be made by Management. Claims and obligations are described in Notes 3.12 and 16 and 17.

4.3. Useful lives of Property, Plant and Equipment

The carrying values of Property, Plant and Equipment assets are based on estimates, assumptions and judgments related to capitalized costs and useful lives of the rigs. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future industry conditions and operations. The Group calculates depreciation using the straight-line method.

A described in Note 3.7, at the end of each year, the Group reviews the estimated useful lives of property, plant and equipment and no significant changes on the combined financial statements were identified.

4.4. Impairment of Long Lived Assets

Determining whether property, plant, and equipment is impaired requires an estimation of the value in use of the related asset or cash-generating unit. The value in used calculation requires the Group to estimate the future cash flows expected to arise from the related asset or cash-generating unit and the related discount rate in order calculate the present value. No impairment losses on long-lived assets have been recognized by the Group.

4.5. Outcome of contract negotiations

In the normal course of business the Group engages in contracts with third parties which convey contractual obligations upon the Group. In the event of a contractual dispute, management is required to exercise judgment in considering uncertainty in the outcome of negotiations, which may have a material impact on the assets and liabilities of the Group. Such circumstances are discussed in Note 16.

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5. CONSOLIDATED ENTITIES AND INTERESTS IN JOINT VENTURES

Consolidated entities - Constellation Overseas Ltd.

Constellation Overseas Ltd. has direct and indirect participation in its subsidiaries, as follows:

		Shareholding %					
		December 31,					
		2011		2010		2009	
Consolidated entities	Location	Direct	Indirect	Direct	Indirect	Direct	Indirect
Alaskan Star Ltd. (“Alaskan”)	British Virgin Islands	-	100.00	100.00	-	100.00	-
Alpha Star Equities Ltd. (“Alpha”)	British Virgin Islands	100.00	-	100.00	-	100.00	-
Amaralina Star Ltd. (“Amaralina”)	British Virgin Islands	55.00	-	55.00	-	-	-
Arazi S.á.r.l (“Arazi”)	Luxembourg	100.00	-	-	-	-	-
Becrux B.V. (“Becrux”)	British Virgin Islands	-	100.00	-	100.00	-	100.00
Belcher Group Inc. (“Belcher”)	British Virgin Islands	100.00	-	100.00	-	100.00	-
Bonvie Investments Inc (“Bonvie”)	British Virgin Islands	100.00	-	100.00	-	100.00	-
Centaurus S.A.R.L. (“Centaurus”)	Luxembourg	100.00	-	100.00	-	100.00	-
Constellation Services Ltd. (“Constellation Serv.”)	British Virgin Islands	100.00	-	100.00	-	100.00	-
Dorgaly Technologies Inc. (“Dorgaly”)	British Virgin Islands	100.00	-	100.00	-	-	-
Eiffel Ridge Group C.V. (“Eiffel”)*	Netherlands	-	23.75	-	23.75	-	23.75
Gold Star Equities Ltd. (“Gold”)	British Virgin Islands	100.00	-	100.00	-	100.00	-
Hopelake Services Ltd. (“Hopelake”)	British Virgin Islands	100.00	-	-	-	-	-
Keam Holdings C.V. (“Keam”)	Netherlands	100.00	-	100.00	-	100.00	-
Laguna Star Ltd. (“Laguna”)	British Virgin Islands	55.00	-	55.00	-	-	-
Lancaster Projects Corp. (“Lancaster”)	British Virgin Islands	100.00	-	100.00	-	-	-
London Tower International Drilling C.V. (“London”)	Netherlands	100.00	-	100.00	-	100.00	-
Lone Star Offshore Ltd. (“Lone”)	British Virgin Islands	100.00	-	100.00	-	100.00	-
Manisa Serviços de Petroleo Ltda. (“Manisa”)	Brazil	-	55.00	-	55.00	-	-
Melbhouse Park Ltd. (“Melbhouse”)	British Virgin Islands	100.00	-	100.00	-	-	-
Mimosa Finance B.V. (“Mimosa BV”)*	Netherlands	-	23.75	-	23.75	-	23.75
New Canyon City Inc. (“New Canyon”)	British Virgin Islands	100.00	-	100.00	-	100.00	-
Olinda Star Ltd. (“Olinda”)	British Virgin Islands	100.00	-	100.00	-	100.00	-
Palase C.V. (“Palase”)	Netherlands	-	55.00	-	55.00	-	-
Podocarpus C.V. (“Podocarpus”)	Netherlands	-	55.00	-	55.00	-	-
Positive Investments C.V. (“Positive”)	Netherlands	100.00	-	100.00	-	100.00	-
QGOG Atlantic / Alaskan Rigs Ltd	British Virgin Islands	-	100.00	-	-	-	-

Consolidated entities	Location	Shareholding % December 31, 2011 Direct	2011 Indirect	2010 Direct	2010 Indirect	2009 Direct	2009 Indirect
QGOG Participações S.A. (former Rio Arade S.A.)	Brazil	100.00	-	100.00	-		-
Queiroz Galvão Óleo e Gás S.A.("QGOG")**	Brazil		74.50				-
Snover International Inc. ("Snover")	British Virgin Islands	100.00	-	100.00	-	100.00	-
Star International Drilling Ltd. ("Star")	Grand Cayman Island	-	100.00	100.00	-	100.00	-
Tarsus Serviços de Petroleo Ltda ("Tarsus")	Brazil	-	55.00	-	55.00	-	-

(*) These entities are part of project finance structure under which the Group is the primary beneficiary for accounting purposes and has the power to govern the financial and operating policies these entities. The shareholder which holds the remaining interest in these structures is a syndicate of banks led by ING Bank B.V. According to the economic substance of the financing and shareholders' agreements, the Constellation consolidates 100% of Mimosa BV and Eiffel in its consolidated financial statements and the non-controlling interests in these companies are recognized as a liability in accordance with SIC-12 "Consolidation - Special Purpose Entities" in these combined financial statements for all years presented.

(**) As described in Notes 1 and 3.2, the oil and gas drilling operations of QGOG have been consolidated by Constellation in these combined financial statements for all years presented.

Investments in joint ventures - Constellation Overseas Ltd.

Constellation Overseas Ltd. holds investments in joint ventures, as follows:

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Entities	Location	Shareholding % December 31, 2011 Direct	2011 Indirect	2010 Direct	2010 Indirect	2009 Direct	2009 Indirect
FPSO Capixaba Venture S.A. ("Capixaba")	Switzerland	-	20.0	-	20.0	-	20.0
SBM Espírito do Mar Inc. ("Espírito do Mar")	Switzerland	-	20.0	-	20.0	-	20.0
JVH Tupi Nordeste Ltd. ("JVH Tupi") (*)	Bermuda	-	20.0	-	-	-	-
JVC Tupi Nordeste Ltd. ("JVC Tupi") (*)	Bermuda	-	20.0	-	-	-	-
JVO Tupi Nordeste Ltd. ("JVO Tupi") (*)	Brazil	-	20.0	-	-	-	-

(*) These entities (refers to "FPSO Cidade Paraty") are in the construction phase and the shareholders' agreement has been signed between the subsidiary Lancaster, SBM Holding Inc ("SBM"), NYK and ITOCHU, creating JVH Tupi, JVO Tupi and JVC Tupi, in which Lancaster has an interest of 20% in these companies. At December 31, 2011, the Group had made advances to these entities that were recorded as intercompany loans relating to the construction of the FPSO Cidade de Paraty.

The investments in joint ventures are accounted for using the equity method. Other relevant information about interests in joint ventures is described in Note 12.

6. CASH AND CASH EQUIVALENTS

	December 31, 2011	2010
Cash and bank deposits	5,240	42,039
Cash equivalents	183,698	42,262
Total	188,938	84,301

Cash equivalents represent time deposits with original maturities of less than 90 days. These investments are highly liquid and convertible into known amounts of cash, and are subject to insignificant risk of changes in value.

The amounts of cash equivalents are presented below:

Cash equivalents	Financial Institution	Average interest rate (per annum)	December 31, 2011	December 31, 2010
Time deposits	Itau BBA Nassau	0.39%	73,544	42,262
Time deposits	Bradesco S.A. Grand Cayman	1.39%	110,154	-
Total			183,698	42,262

7. SHORT-TERM INVESTMENTS

	December 31, 2011	December 31, 2010
Time deposits	125,038	8,544
Bank deposits certificates	7,498	-
Repurchase agreements (*)	6,136	-
Total	138,672	8,544

Atendimento Prisma

(*) Repurchase agreements are contracts in which the bank has the commitment to repurchase the asset back from the Group within a specified time limit. As of March 31, 2012 the average repurchase term is seven months.

Short-term investments	Financial institution	Average interest rate (per annum)	December 31, 2011	December 31, 2010
Time deposits	Deutsche Bank	0.40%	24,074	-
Time deposits	Bradesco S.A. Grand Cayman	2.20%	35,000	6,927
Time deposits	Itau BBA Nassau	2.52%	7,000	1,617
Time deposits	ING Bank	0.29%	35,876	-
Time deposits	Citibank	0.13%	23,088	-
Bank deposit certificates	Bradesco S.A.	100% of CDI*	2,142	-
Bank deposit certificates	Banco do Nordeste - BNB	101% of CDI*	5,356	-
Repurchase agreements	Bradesco S.A.	101.5% of CDI*	6,136	-
Total			138,672	8,544

(*) CDI - Interbank deposit certificate

8. RESTRICTED CASH

	December 31, 2011	December 31, 2010
Cash and bank deposits	-	29,602
Time deposits	26,325	-
Total	26,325	29,602

Under certain of the Group´s project finance arrangements, surplus cash from operations (after operating expenditures and servicing or payment of debt) is held in designated reserve accounts, up to a level determined in relation to future debt servicing requirements on that financing arrangement.

Cash in these accounts may be only used for operating expenditure on the related rig or for servicing or payment of debt. Cash generated from operations in excess of the required amount of the reserve account is free from restrictions on use and is presented as cash and cash equivalents or short-term investments.

These accounts refer to the financing agreements related to the construction of Lone Star, Gold Star and Olinda Star drilling rigs, as mentioned in Note 15, with original maturity less than one year.

The amounts in these accounts are presented below:

Restricted cash	Financial Institution	Average interest rate (per annum)	December 31, 2011
Time deposits	ING Bank	0.38%	26,325
Total			26,325

Atendimento Prisma

9. TRADE AND OTHER RECEIVABLES

	December 31, 2011	December 31, 2010
Trade receivables	57,747	87,752
Other receivables	80	5,548
Total trade and other receivables	57,827	93,300

Trade receivables principally relate to receivables from Petrobras for charter and services relating to offshore and onshore drilling rigs used in exploration of oil and natural gas in Brazil. Historically, there have been no defaults on receivables or delays in collections and consequently, the Group has not recorded an allowance for doubtful accounts for the years presented. The average collection period is approximately 30 days. See credit risks in Note 25.

10. INVENTORIES

Inventories refer basically to materials to be used in the operations of the rigs. The amounts recognized in statement of operations are accounted as costs of services in the account "Materials" as disclosed in Note 21.

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11. RELATED PARTY TRANSACTIONS

Transactions between the Constellation and its subsidiaries that are part of the Group were eliminated on the consolidation and are not presented in the note below.

The combined intercompany balances as of December 31, 2011 and 2010 and the intercompany transactions for the three years ended December 31, 2011 are as follows:

	2011			2010			2009
	Assets	Liabilities	Income/ (expenses)	Assets	Liabilities	Income/ (expenses)	Income/ (expenses)
Delba (a)	130,639	130,639	-	98,411	98,411	-	-
FPSO Cidade de Paraty (b)	34,310	-	-	7,337	-	-	-
FPSO Cidade de Ilhabela (b)	4,062	-	-	-	-	-	-
QG S.A. (c)	-	4,208	(14,978)	-	41,178	(6,280)	-
Queiroz Galvão Exploração e Produção S.A. (“QGEP”) (f)	44	-	465	365	-	789	-
Manati S.A. (“Manati”) (f)	316	-	1,248	264	-	3,933	4,714
FPSO Capixaba (d)	869	-	3	866	-	7	12
Espírito do Mar (e)	3,567	-	188	3,379	-	178	169
L1T Consultoria Ltda. (g)	-	-	(179)	-	-	(1,598)	(328)
Other	138	70	420	484	79	-	-
Total	173,945	134,917	(12,833)	111,106	139,668	(2,971)	4,567
Total current	360	4,278	-	629	41,257	-	-
Total noncurrent	173,585	130,639	-	110,477	98,411	-	-

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(a) In 2010, Constellation and Delba signed shareholders and loan agreements in order to construct, charter and operate two drillships for Petrobras, the Amaralina Star ("Amaralina") and the Laguna Star ("Laguna"), through Constellation's 55% interest in each of Amaralina Star Ltd ("Amaralina" - former Bulzow Capital Inc.) and Laguna Star Ltd ("Laguna" - former Guildford Projects Corp.), the remaining 45% of the shares of these companies being held by Delba.

Under the agreements, Constellation has committed to finance Delba's 45% share of expenditures on these projects through the date of acceptance of the drillships by Petrobras, where such expenditures are not funded by Project Finance or by the Charterer. The date of acceptance is expected to occur in the last quarter of 2012.

The outstanding principal on the loans receivable bears interest at 12% per annum, compounded annually, up to the sixth anniversary of the sub-charter contract with Petrobras. Thereafter, the loans receivable will bear interest at 13% per annum, compounded. Repayment of interest and principal is scheduled to occur quarterly as from the first quarter end following the Date of Acceptance of the drillships by Petrobras, with the principal being repayable in equal quarterly installments over the six year term of the Petrobras charter contract, starting from the Date of Acceptance. The payables to Delba relate to intercompany loans to Amaralina and Laguna for the same amounts, terms and conditions.

Arendimento Prisma

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

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

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

Non-compliance with the contracts between Delba and Constellation could result in penalties to either Group. Through December 31, 2011, the Group is in compliance with the requirements of the respective contracts.

(b) The Group signed a shareholder's agreement with partners to construct charter and operate FPSOs for Petrobras. The bid contracts for the FPSO are held by one of the proposed partners, SBM, and will be transferred to project companies in which the Group has a 20.0% shareholding related to Project Cidade de Paraty and have 12.75% related to Project Cidade Ilhabela. Loans receivables at December 31, 2011, in the amount of US$34,310 and US$4,062 refer to milestones payments made by Constellation in proportion with its participation in the Project Cidade de Paraty and Project Cidade Ilhabela, respectively.

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On December 31, 2011, the Group's main capital commitments for the conclusion of the construction of the FPSO Cidade Paraty and FPSO Ilhabela, are in the amount of US$26 million and US$58 million, respectively, corresponding to the percentage of interest in these investees.

(c) In 2011, the amount of US$4,208 refers to the fee charged by QG S.A., entity under common control with the Group, for being guarantor of part of Constellation's loans and financings. In 2010, liabilities also include US$37,710 that refers to the amount payable by the Group in relation to QGOG in connection with the Shareholders' contribution described in Note 19.

(d) Loans bearing interest at LIBOR plus 0.5% per annum with maturity at the end of the charter contract period between Espírito do Mar and Petrobras (2022). Bank guarantees is provided by SBM.

(e) The loan to Espírito do Mar reflects an effective interest rate of 5.56% with a maturity at the end of the charter contract period between SBM Espírito do Mar Inc. and Petrobras (2022). Bank guarantees are provided by SBM.

(f) On June 1, 2010, QGOG, Manati and QGEP entered into an agreement pursuant to which they agreed to share infrastructure and costs of certain administrative activities.

(g) Relates to engineering and consulting services provided to QGOG by L1T Consultoria Ltd., a company owned by the Chief Operating Officer of QGOG and certain of his family members. These services were completed and the related contract was terminated in May 2011.

Key management personnel remuneration is presented below:

	2011	2010	2009
Key management personnel compensation (i)	9,539	6,829	3,906

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

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All key management personnel compensation refers to short-term benefits.

The cash compensation for each member of senior management is principally comprised of base salary and bonus. The compensation that is paid to our senior management is evaluated on an annual basis considering the following primary factors: individual performance during the prior year, market rates and movements, and the individual's anticipated contribution to the Group and Group's growth. Members of our senior management team are also eligible to participate in our retirement savings plans, described below under Pension Plan as described in Note 27.

This above compensation does not include amounts relating to services provided by the Company's Chief Executive Officer relating to the private placement transaction undertaken by Constellation with Capital in June 2010 as described in Note 1. These services were contracted in 2009, prior to his nomination as Chief Executive Officer in March 2010. The total amount of this contract was US$1,790. At December 31, 2011, amounts payable under this contract amounted to US$565, which are included in the liability account Payroll and Related Charges.

12. INVESTMENTS IN JOINT VENTURES

	December 31,					
	2011		2010		2009	
	FPSO Capixaba Venture S.A.	SBM Espírito do Mar Inc.	FPSO Capixaba Venture S.A.	SBM Espírito do Mar Inc.	FPSO Capixaba Venture S.A.	SBM Espírito do Mar Inc.
Number of shares	100	100	100	100	100	100
Indirect interest	20%	20%	20%	20%	20%	20%
Authorized share capital	82	88	82	88		
Current assets	3,822	30,339	12,443	32,855		
Noncurrent assets	6,333	356,560	6,302	389,102		
Current liabilities	13,906	46,586	7,692	37,477		
Noncurrent liabilities	3,475	225,407	4,312	288,681		
Net revenue	16,160	54,186	11,896	57,231	15,392	67,549
Costs and expenses	(30,128)	(35,078)	(9,557)	(34,829)	(14,784)	(34,082)
Other income	-	-	6,234	-	-	-
Shareholder's equity (deficit)	(7,226)	114,906	6,741	95,799	(1,832)	73,397
Net income (loss)	(13,968)	19,108	8,573	22,402	608	33,467

Changes in interest in joint ventures

	December 31,								
	2011			2010			2009		
	FPSO Capixaba Venture S.A. (*)	SBM Espírito do Mar Inc.	Total	FPSO Capixaba Venture S.A. (*)	SBM Espírito do Mar Inc.	Total	FPSO Capixaba Venture S.A. (*)	SBM Espírito do Mar Inc.	Total
Opening balance	1,348	19,159	20,507	(367)	14,679	14,312	(489)	7,986	7,497
Share of results of joint ventures	(2,794)	3,822	1,028	1,715	4,480	6,195	122	6,693	6,815
Closing balance	(1,446)	22,981	21,535	1,348	19,159	20,507	(367)	14,679	14,312
Assets (Interests in joint ventures)	-	22,981	22,981	1,348	19,159	20,507			
Liabilities (Accumulated deficit in joint ventures) (*)	(1,446)	-	(1,446)	-	-	-			

(*) The liability to fund deficit in FPSO Capixaba Venture S.A. is recognized in "Other current liabilities".

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

- Capixaba's core business is to support operations for contracts in the offshore oil and gas industry. Since March 16, 2007, this company is a shareholder of a Brazilian company which operates the "FPSO Capixaba" unit which is currently located off the Brazilian coast and is chartered to Petrobras.

- Espírito do Mar's main activity is to act as an FPSO Owner in support of charter contracts in the offshore oil and gas industry. It is the owner of FPSO Capixaba, which operates off the Brazilian coast and is leased to Petrobras until 2022. The upgrade of FPSO Capixaba was concluded in February 2010.

Atendimento Prisma

13. PROPERTY, PLANT AND EQUIPMENT

	Equipment under construction	Equipment in operation								
		Alaskan Star Rig	Atlantic Star Rig	Alpha Star Rig	Gold Star Rig	Lone Star Rig	Olinda Rig	Onshore drilling rigs	Corporate	Total
Cost										
Balance on January 1, 2009	1,445,069	307,000	302,704	-	-	-	-	93,789	18,096	2,166,658
Additions	604,817	23	-	-	-	-	6,289	6,378	1,353	618,860
Disposals	-	-	-	-	-	-	-	(789)	(1,552)	(2,341)
Transfers	(517,281)	-	-	-	-	-	517,281	(296)	296	-
Currency translation differences	-	-	-	-	-	-	-	20,469	2,628	23,097
Balance on December, 31, 2009	1,532,605	307,023	302,704	-	-	-	523,570	119,551	20,821	2,806,274
Additions	289,235	67,048	17,261	-	7,341	-	4,388	7,967	2,991	396,231
Advance to supplier	212,615	-	-	-	-	-	-	-	-	212,615
Disposals	-	(53)	-	-	(8)	-	(43)	(410)	(411)	(925)
Transfers	(522,795)	-	-	-	522,795	-	-	(79)	79	-
Currency translation differences	-	-	-	-	-	-	-	4,182	528	4,710
Balance on December, 31, 2010	1,511,660	374,018	319,965	-	530,128	-	527,915	131,211	24,008	3,418,905
Additions	836,171	4,690	23,903	-	6,573	-	3,222	29,068	6,327	909,954
Disposals	-	-	(9,300)	-	-	-	-	(50)	(394)	(9,744)
Transfers	(1,380,985)	-	-	718,636	-	639,844	-	22,106	399	-
Currency translation differences	-	-	-	-	-	-	-	(11,498)	(829)	(12,327)
Balance on December 31, 2011	966,846	378,708	334,568	718,636	536,701	639,844	531,137	170,837	29,511	4,306,788

Atendimento Prisma

	Equipment under construction	Equipment in operation								
		Alaskan Star Rig	Atlantic Star Rig	Alpha Star Rig	Gold Star Rig	Lone Star Rig	Olinda Rig	Onshore drilling rigs	Corporate	Total
Accumulated depreciation										
Balance on January 1, 2009	-	(2,558)	(15,056)	-	-	-	-	(20,741)	(10,307)	(48,662)
Depreciation	-	(15,350)	(15,135)	-	-	-	(10,519)	(7,112)	(1,364)	(49,480)
Disposals	-	-	-	-	-	-	-	37	325	362
Transfers	-	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	(7,579)	(774)	(8,353)
Balance on December 31, 2009	-	(17,908)	(30,191)	-	-	-	(10,519)	(35,395)	(12,120)	(106,133)
Depreciation	-	(15,799)	(15,147)	-	(23,949)	-	(26,043)	(8,502)	(1,181)	(90,621)
Disposals	-	-	-	-		-	-	387	372	759
Transfers	-	-	-	-		-	-	-	-	-
Currency translation differences	-	-	-	-	-	-	-	(1,832)	(169)	(2,001)
Balance on December 31, 2010	-	(33,707)	(45,338)	-	(23,949)	-	(36,562)	(45,342)	(13,098)	(197,996)
Depreciation	-	(17,075)	(15,682)	(16,271)	(21,808)	(24,894)	(22,457)	(11,082)	(2,059)	(131,328)
Disposals	-	-	9,091	-	-	-		14	301	9,406
Transfers	-	-	-	-	-	-		-	-	-
Currency translation differences	-	-	-	-	-	-	-	5,390	341	5,731
Balance on December 31, 2011	-	(50,782)	(51,929)	(16,271)	(45,757)	(24,894)	(59,019)	(51,020)	(14,515)	(314,187)
Property, plant and equipment, net	-	-	-	-	-	-	-	-	-	-
December 31, 2010	1,511,660	340,311	274,627	-	506,179	-	491,353	85,869	10,910	3,220,909
December 31, 2011	966,846	327,926	282,639	702,365	490,944	614,950	472,118	119,817	14,996	3,992,601
Average useful life (years)	-	22	21	22	21	22	24	17	15	-

The detailed cost of equipment under construction is showed as follows:

	Equipment under construction						
	Alpha Star Rig	Gold Star Rig	Lone Star Rig	Olinda Rig	Drillships (a)	Onshore drilling rigs	Total
Cost							
Balance on January 1, 2009	157,308	387,782	437,573	462,406	-	-	1,445,069
Additions	291,844	135,013	123,085	54,875	-	-	604,817
Transfers	-	-	-	(517,281)	-	-	(517,281)
Balance on December 31, 2009	449,152	522,795	560,658	-	-	-	1,532,605
Additions	205,651	-	58,068	-	3,011	22,505	289,235
Advance to supplier					212,615		212,615
Transfers	-	(522,795)	-	-	-	-	(522,795)
Balance on December 31, 2010	654,803	-	618,726	-	215,626	22,505	1,511,660
Additions	63,833	-	21,118	-	751,220	-	836,171
Disposals	-	-	-	-	-	-	-
Transfers	(718,636)	-	(639,844)	-	-	(22,505)	(1,380,985)
Balance on December 31, 2011	-	-	-	-	966,846	-	966,846

(a) The construction of Amaralina Star and Laguna Star was concluded in July 2012 and September 2012, respectively. Amaralina Star and Laguna Star started their operations in September 2012 and in November 2012, respectively.

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Borrowing costs capitalized in property, plant and equipment for the year ended December 31, 2011 was US$27,942 (US$21,516 in 2010 and US$170,245 in 2009).

Borrowing costs are capitalized using the effective interest rates of each financing agreement described in Note 15.

The Group's assets which are pledged as security for financing are also described in Note 15.

On December 31, 2011, the Group's capital commitments related to the conclusion of the construction of the drillships Amaralina and Laguna, is in the amount remaining of US$202 million.

14. ACCRUED LIABILITIES

As described in Note 3.7 and 4.6, equipment under construction is recorded based the incurred costs amounts on of the respective project based on information provided by the shipyards and suppliers. The related costs are recognized in property, plant and equipment, and the respective amounts of the unbilled costs are recognized as accrued liabilities account, as follows:

	December 31,	
	2011	2010
Equipment under construction:		
Alpha Star Rig	-	69,646
Amaralina Star	379,693	-
Laguna Star	342,843	-
Total	722,536	69,646

Atendimento Prisma

15. LOANS AND FINANCINGS

Financial institution	Funding type	Objective	Beginning period	Maturity	Contractual interest rate	Effective interest rate	Currency	2011	2010
Bradesco	Loan	Working capital	During 2009, 2010 and 2011	Within 1 year	2.03%p.a. to 3.94%p.a	2.73%p.a.	US dollars	283,683	174,269
Banco do Brasil	Loan	Working capital	During 2011	Within 1 year	1.48%p.a. to 2.55%p.a.	2.54%p.a.	US dollars	123,954	-
Itaú	Loan	Working capital	During 2009 and 2010	Within 1 year	2.28%p.a. to 7.00%p.a.	2,98%p.a.	US dollars	-	131,974
ING (leader arranger)	Financing	Alaskan Star rig construction	Nov, 2008	Oct, 2015	Libor +3.25% p.a.	3,53%p.a.	US dollars	-	193,272
WestLB (leader arranger)	Financing	Atlantic Star rig construction purposes	Dec, 2009	Sep, 2016	Libor + 3.82%p.a.	4,08%p.a.	US dollars	-	220,524
ING (leader arranger)	Financing	Gold Star rig construction	Jul, 2007	Jan, 2015	Libor + 1.15%p.a. to Libor + 2.65%p.a.[(1)]	3,08%p.a.	US dollars	311,036	326,174
ING (leader arranger)	Financing	Lone Star rig construction	Jul, 2007	Dec, 2017	Libor + 1.15%p.a. to Libor + 2.15%p.a.[(2)]	1,58%p.a.	US dollars	364,504	442,906
Santander, HSBC, Citibank (joint bookrunners)	Senior Notes (Project Bond)	Refinance Alaskan Star and Atlantic Star rigs, and other corporate purposes	Jul, 2011	Jul, 2018	5.25%p.a.	5.55%p.a.	US dollars	660,245	-
ING (leader arranger)	Financing	Olinda Star rig construction	Feb, 2008	Jul, 2014	Libor + 1.40%p.a. to Libor + 1.75%p.a.[(3)]	1,83%p.a.	US dollars	205,003	256,006
Citibank and Santander (joint leader arrangers)	Financing	Alpha Star rig construction	Apr, 2011	Jul, 2017	Libor + 2.25%p.a. to Libor + 2.50%p.a. [(4)]	4.91%p.a.	US dollars	492,097	261,224
Total								2,440,522	2,006,349
Current								731,190	769,545
Non current								1,709,332	1,236,804

(1) In pre-completion period the interest is Libor + 2.15% p.a. until September, 2009 and thereafter Libor + 2.65% p.a. and in post-completion is Libor + 1.15% p.a. until the fifth anniversary and thereafter is Libor + 1.35% p.a..

(2) In pre-completion period the interest is Libor + 2.15% p.a. and in post-completion (December 24, 2010) is Libor + 1.15% p.a..

(3) In pre-completion period the interest is Libor + 1.75% p.a. and in post-completion (December 23, 2010) is Libor + 1.40% p.a..

(4) In pre-completion period the interest is Libor + 2.25% p.a. and in post-completion (July, 2011) is Libor + 2.50% p.a..

Atendimento Prisma

Changes in loans and financings

	For the years ending December 31,		
	2011	2010	2009
Opening balance	2,006,349	1,716,568	1,261,406
Additions	1,776,916	608,393	539,981
Repayment of principal	(1,322,187)	(318,818)	(156,386)
Transaction cost (*)	(20,361)	-	-
Debt discount (**)	(4,550)	-	-
Interest capitalized	20,086	34,187	78,856
Interest charged through profit and loss	55,315	25,865	24,711
Payment of interest	(75,743)	(59,846)	(32,000)
Transaction cost charged through profit and loss	4,090	-	-
Debt discounts charged through profit and loss	607	-	-
Closing balance	2,440,522	2,006,349	1,716,568

(*) Refer to the transaction costs of Senior Notes issued by QGOG Atlantic/Alaskan on July 2011 for refinance of Alaskan Star and Atlantic Star and the financing for Alpha Star construction.

(**) Refer to the discount on the Senior Notes issued by QGOG Atlantic/Alaskan for refinance of Alaskan Star and Atlantic Star.

Atendimento Prisma

Loans and financing long-term amortization schedule

For the years ended December 31,	Loans and Financing	Transaction costs	Debt discounts	Net amount
2013	339,193	(3,511)	(911)	334,771
2014	394,669	(3,004)	(738)	390,927
2015	318,401	(2,545)	(554)	315,302
2016	229,639	(1,953)	(360)	227,326
2017	355,043	(1,009)	(206)	353,828
After 2017	87,500	(223)	(99)	87,178
Total	1,724,445	(12,245)	(2,868)	1,709,332

Covenants

The financing agreements contain financial covenants as well as security provided to lenders as described hereafter. Non-compliance with such covenants could constitute a Restricted Payments Trigger Event which would result in the borrower entity not being allowed to pay dividends, purchase, retire or otherwise distribute capital stock or make certain payments to related parties. Under the loan contracts, each borrower entity has committed that it will not make payments of dividends, or other distributions in cash, securities or other property. Therefore, dividend payments are subject to the consent of the related banks.

The financial covenants are measured semiannually, and consists of: a minimum requirement of Consolidated Tangible Net Worth, and Consolidated Cash and Cash Equivalents and Marketable Securities; Interest Cover Ratio, that requires to maintain a minimum Consolidated Adjusted EBITDA to Consolidated Net Interest Payable ratio (which calculations are subjected to defined adjustments mainly related to borrowings to Project Finance - with no guarantee provided by Constellation); Leverage Ratio, which requires a maximum ratio of Consolidated Net Total Borrowings to Consolidated EBITDA (which calculations are subjected to defined adjustments mainly related to borrowings to Project Finance). Consolidated refers to Constellation and its subsidiaries.

As at December 31, 2011 and 2010, the Group was in compliance with such restrictive clauses.

Guarantees

The financings obtained by Constellation's subsidiaries in order to finance the construction of the rigs and for other corporate purposes are usually structured as Project Finance/Project Bond, therefore benefiting from a customary security package which includes guarantees such as assignment of the charter receivables, mortgages over the rigs, pledges over the shares of the rig owners, charges over the relevant bank accounts held at the facility agents, assignment of the relevant insurances along with corporate guarantees during pre-completion period and accounts into which the amounts payable under charter and services agreements are required to be paid. In addition, the terms of some of these financing debt instruments restrict the ability of project subsidiaries, to pay dividends, incur additional debt, grant additional liens, sell or dispose of assets and enter into certain acquisitions, mergers and consolidations, except with the prior consent of the respective creditors

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This can be applied to the financings of the following rigs: Olinda Star, Gold Star, Lone Star, Alpha Star, Alaskan Star and Atlantic Star, and the Project Financing of Amaralina Star and Laguna Star described below.

Unused available credit lines

Working capital lines

As of December 31, 2011, the subsidiary Alpha had available from major financial institutions US$21.1 million of unused long term lines of credit, restricted for use in the construction or upgrade of its assets, which terms are similar to those of current loan agreements (interest rate of Libor + 2.50%p.a.).

Amaralina Star and Laguna Star Project Financing

On the first semester of 2011, the Group has agreed with BNP Paribas (“BNP”), ING Capital LLC (“ING”) and Citigroup Global Markets Inc. (“Citi”) the terms of a structure for a long term facility to finance the construction of the drillships Amaralina Star and Laguna Star.

On September 16, 2011, the Group mandated BNP Paribas ("BNP"), ING Capital LLC ("ING") and Citigroup Global Markets Inc. ("Citi") to structure a long term facility to finance the construction of the drillships Amaralina Star and Laguna Star. The total facility amount is US$943,863 and the term is up to 6 years. The credit facility will be provided by a Bank Syndicate, in the amount of US$593,863, and The Norwegian Ministry of Trade and Industry ("MTI"), the remaining US$350,000.

The financing will bear an interest rate of LIBOR + 2.75%p.a. for the commercial banks tranche and LIBOR + 1.35%p.a. for the MTI tranche. The MTI tranche is guaranteed by the Guarantee Institute for Export Credits ("GIEK") and the premium rate to be paid for such guarantee will vary from 1.65% p.a. (during the drilling rig construction) and 1.40%p.a. (after the beginning of operations). Further, a commitment fee of 40% of the applicable margins and premium is paid over the undisbursed amount of the respective facility tranche.

The guarantees offered by the Group are the usual for this type of transactions, including, mortgage over the rigs, assignment of the charter contracts, pledge of accounts and compliance with certain financial covenants, among others.

In connection with this Project Financing, the Group has the contractual commitment with the same financial institutions to contract derivatives as cash flow hedging instrument of the debt in relation to changes in LIBOR. Accordingly, the Group has contracted interest swaps in connection with the rates and spreads, terms and cash flows of the debt as disclosed in Note 18.

The Project Financing Agreement was signed on March 27, 2012.

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16. PROVISIONS

	December 31,	
	2011	2010
Opening balance - current	39,808	17,317
Additions	10,796	35,037
Transferred to trade and other payables	(41,786)	(12,888)
Currency translation differences	(350)	342
Closing balance - current	8,468	39,808

In the normal course of business the Group engages in contracts with third parties which convey contractual obligations. During 2011 and 2010 the Group recognized provisions for contractual penalties which are allegedly payable with respect to certain of its contracts. Where agreements have been reached in relation to these penalties, these amounts have been settled or reclassified to other current liabilities in accordance with negotiated terms. The amounts of the provisions represent our best estimates of the respective obligations and are charged to other expenses (Note 22) in the statement of operations.

The amount of US$39,082 (US$6,025 in 2010) was paid out of the US$42,786 (US$12,888 in 2010) amount transferred to "trade and other payables".

17. PROVISION FOR RISKS AND CONTINGENCIES

Labor, Civil and Tax claims

a) Provision for probable loss on Labor, Civil and Tax claims:

Based on the opinions of in-house and external legal counsel, Management recorded a provision to cover the probable losses arising from labor claims. As of December 31, 2011 and 2010 the provisions for, labor lawsuits included in other noncurrent liabilities were mainly related to hardship and retirement.

Changes in the loss provision for labor claims are as follows:

	December 31,		
	2011	2010	2009
Opening balance	531	743	836
Additions	89	401	172
Reversals	(409)	(634)	(501)
Currency translation differences	(59)	21	236
Closing balance	152	531	743

b) Claims assessed as possible losses by Management

These claims as at December 31, 2011, based on the in-house and outside legal counsel's opinions, are not accrued in the financial statements and consist of labor lawsuits (comprised mainly by compensation due to accidents at work and occupational diseases) in the amount of US$3,156 (US$3,949 in 2010) and tax lawsuits in the amount of US$23,232 (US$22,835 in 2010). In 2010, there were civil lawsuits in the amount of US$75.

The main claims assessed as possible losses are described as follows:

1) Group received a Notice of Violation issued by Brazilian tax authorities which assumed that the platform Atlantic Star has been imported without a corresponding import license. The tax assessment was judged partly unsuccessful at first instance administrative. It is awaiting trial on appeal. The amount involved is estimated in US$19,184.

2) Group received a Notice of Violation issued by Rio de Janeiro tax authorities due to nonpayment of ISS in the city of Rio de Janeiro. The Group argues, on appeal, that the operations tax jurisdiction was carried out in other places and in these collected taxes (ISS due to the site of the service provider). The amount involved is estimated in US$2,871.

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c) Tax, labor and social security matters

The Group enters into transactions and operations that may be interpreted by others subjectively and/or as opposed to the Group's position; however, the Group's actions are supported by outside legal counsel's opinion.

In connection with corporate reorganization, QGEPP S.A. (the entity related of oil and gas exploration and production activities) agreed to compensate QGOG for any contingency related to the oil and gas exploration and production activities (E&P). Additionally, on January 2011, it was agreed by contract that both Constellation and QGOG would compensate QGEPP S.A. for any loss arising in respect of all existing liabilities and contingent risk not related to E&P activities that may be charged to QGEPP S.A. Based on the opinion of outside legal counsel of QGOG and Constellation, the Group concluded that no probable loss was incurred and no provision was recorded in the period presented in the combined financial statements.

18. DERIVATIVES

Under the terms of Project Finance arrangements (Note 15), the Group is contractually required to manage its risk on floating interest rates by taking out variable-to-fixed interest rate swaps on its long term variable rate loans. Accordingly, the interest rate swaps contracted by management convert the variable component of interest rates to fixed rates ranging from 1.93% to 5.16% to mitigate such risk. The floating component of interest rate of all hedging contracts is US$ LIBOR.

These swaps protect the Group from fluctuations in interest rates. As of December 31, 2011, the Group has interest rate swaps related to the loans to fund Olinda Star, Gold Star, Lone Star, and Alpha Star offshore rigs. The swap contracts cover the expected periods of the loans and terminate between 2013 and 2017.

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Information on derivative contracts

Interest rate swaps US$ LIBOR/Pre

						Fair value	
		Interest rates		Notional amount		Receivables (payables)	
Banks	Loans and financings objective	Payable leg	Maturity	2011	2010	2011	2010
ING financing (leader arranger)	Gold Star oil rig construction	5.165%p.a.	Jul, 2017	291,276	324,753	(36,235)	(40,433)
ING financing (leader arranger)	Lone Star oil rig construction	5.165%p.a.	Jan, 2015	345,873	419,491	(24,017)	(36,489)
ING financing (leader arranger)	Olinda Star oil rig construction	3.973%p.a.	Dec, 2013	174,087	226,081	(7,648)	(14,326)
Citibank and Santander financing (joint leader arranger)	Alpha Star oil rig construction	1,930%p.a.**	Jul, 2017	520,490	459,702	(15,894)	8,652
WestLB financing (leader arranger)	Atlantic Star oil rig	2,570%p.a.	Sep, 2016	-	220,000	-	(7,098)
BNP, Citibank and ING financing (joint leader arranger)*	Amaralina Star construction	2.620%p.a.	Nov, 2018	115,269	-	(24,155)	-
BNP, Citibank and ING financing (joint leader arranger)*	Laguna Star construction	2.705%p.a.	Jan, 2019	113,157	-	(25,761)	-
Total amount						(133,710)	(89,694)
Current						(30,806)	(20,952)
Non current						(102,904)	(68,742)

	December 31, 2011	December 31, 2010
Opening balance	89,694	90,473
Fair value adjustments capitalized	7,856	(12,671)
Fair value adjustments through profit and loss	40,753	41,215
Fair value adjustments through other comprehensive loss (*)	49,916	-
Settlements	(54,509)	(29,323)
Closing balance	133,710	89,694

	2011	2010
Reported as follows:		
Current assets	-	1,237
Noncurrent assets	-	7,416
Current liabilities	30,806	22,189
Noncurrent liabilities	102,904	76,158

(*) Group has adopted hedge accounting as from July 15, 2011, using the above contracts. The Group's hedge accounting policies are described in Note 3.16. Additional information on these instruments is included in Note 25.

Derivative contracts designated as cash flow hedges

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

In connection with the Project Financing (Note 15) for the construction of the drilling rigs Amaralina Star and Laguna Star, the Group has the contractual commitment with the same financial institutions to contract derivatives as hedging instrument of the debt in relation to changes in LIBOR. Accordingly, the Group has swaps contracts in connection with the rates, spreads, notional, terms and cash flows of the debt. The swap contracts were contracted on July 2010 and will follow the all the Project Financing terms. The Project Financing was signed on March 27, 2012 and the first tranche in the total amount of US$203,413 was disbursed in May 31, 2012.

The following table details the notional amounts remaining terms of interest contracts outstanding at the end of the reporting period.

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Interest rate swaps US$ LIBOR/Pre

Banks	Loans and Financings objective	Interest rates		Notional amount			Fair value (payables)	
		Receivable leg	Payable leg	Maturity	2011	2010	2011	2010
BNP, Citibank and ING financing (joint leader arranger)	Amaralina Star construction	LIBOR	2.620%p.a.	Nov, 2018	115,269	-	(24,155)	-
BNP, Citibank and ING financing (joint leader arranger)	Laguna Star construction	LIBOR	2.705%p.a.	Jan, 2019	113,157	-	(25,761)	-
Total net amount							(49,916)	-

Interest rate swap contracts exchanging floating rate interest for fixed rate interest are designated and effective as fair value hedges in respect of interest rates. During the year, the hedge was 100% effective in hedging the fair value.

19. SHAREHOLDER´S EQUITY

QGOG Constellation

Share capital

The original share capital of the QGOG Constellation was set at US$58 (equivalent to historical value of €40) represented by 1,200,000 ordinary shares with a par value of €0.03 each, subscribed by Orangefield Trust (Luxembourg) S.A. As of August 30, 2011, 1,200,000 shares were issued and fully paid.

Legal reserve

Luxembourg companies are required to appropriate to the legal reserve a minimum of 5% of the net profit for the year after deduction of any losses brought forward, until this reserve equals 10% of the subscribed capital. This reserve may not be distributed in the form of cash dividends, or otherwise, during the life of the Company. The appropriation to legal reserve is effected after approval at the general meeting of shareholders.

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Dividends policy

Any future determination relating to our dividend policy will be made by the Board of Directors and will depend on a number of factors, including earnings, capital requirements, contractual restrictions, financial condition and future prospects and other factors that our Board of Directors may deem relevant. The decision to distribute dividends will however be taken by the general meeting of shareholders upon a proposal by the issuer's Board of Directors.

Additionally, any dividends paid by us will be subject to a Luxembourg withholding tax at a rate of 15% for the year ending 2012 (17.65% if the dividend tax is not charged to the shareholder), subject to the exceptions provided by Luxembourg tax law or by double tax treaties concluded by the Grand Duchy of Luxembourg and the country of tax residency of the shareholders. The withholding tax must be withheld from the gross distribution and paid to the Luxembourg tax authorities.

Constellation Overseas Ltd.

Share capital

Share capital comprises 170,477,364 common voting shares with no par value, fully paid (170,477,364 in 2010) which represents the total authorized shares.

On June 15, 2010, the Constellation issued 33,308,222 shares. Proceeds of the issue were US$420,675, net of US$9,325 of expenses directly related to the issue, of this, US$25,593 was allocated to share capital to maintain the value of share capital per share prior to the issuance, with the remaining US$395,082 being allocated to share premium.

Shareholders	Common shares (*)	Share capital	Share premium	Total
Timbaúba International Ltd.	85,346,439	65,576	-	65,576
Guararapes International Ltd.	49,863,380	38,311	-	38,311
Skycrest Overseas Inc.	1,958,323	1,507	-	1,507
Cipef Constellation Coinvestment Fund L.P.	15,570,123	11,958	184,601	196,559
Cipef V Constellation Holding L.P.	17,739,099	13,635	210,481	224,116
Total at December 31, 2011	170,477,364	130,987	395,082	526,069
Shares issued in 2011	-	-	-	-
Shares issued by Cipef in 2010 (**)	33,308,222	25,593	395,082	420,675

(*) Considers the one-for-three forward split of common shares and share dividend approved in the Company's general meeting of shareholders on January 29, 2013.

(**) Capital 1 and Capital 2 together subscribed US$430,000, before transaction costs of US$9,325, to share capital of Constellation in exchange for a total of 19.54% of common voting shares in the Constellation. The amount of US$420,675 was recognized as follows: US$25,593 in share capital and US$395,082 was recognized in share premium.

The Group's ultimate controlling party is the Queiroz Galvão family, who control the direct parent companies Timbaúba International Ltd., Guararapes International Ltd. and Skycrest Overseas Inc.

Cipef Constellation Coinvestment Fund L.P. and Cipef V Constellation Holding L.P. (the Funds) are limited partnerships organized under the laws of Delaware.

Dividends policy

The payment of dividends, if any, will be determined by a resolution of the Constellation's board of directors if the board of directors is satisfied that, immediately after such distribution or dividend payment: the Constellation's assets will exceed its liabilities and the Constellation will be able to pay its indebtedness as it becomes due.

Payment of dividends to the Constellation's shareholders can be made by cash, shares or other property.

Hedging reserve

The hedging reserve consists of the effective portion of cash flow hedging instruments related to hedged committed future financing transactions.

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Currency translation differences reserve

The Currency translation differences reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Shareholder´s contribution and distribution

The shareholder´s contribution is related to amounts contributed by QG SA to QGOG in connection with its operations (US$28,783 in 2010 and US$19,218 in 2009) and the distribution is related to amounts paid to QG SA US$5,621 in 2011 and (US$37,710 in 2010).

Non-controlling interest

The Group's combined financial statements include Amaralina e Laguna, whose share capital is 55% owned by the Group. The part of Amaralina e Laguna total shareholders' equity not attributable to the Group is included in non-controlling interest. In 2010 and 2009, non-controlling interests related to these entities amounted to less than US$1 and consequently, do not appear in the combined financial statements.

Loss per share

Basic and diluted losses per share amounts are calculated by dividing the loss for the year, all from continuing operations, attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	For the years ending December 31,		
	2011	2010	2009
Loss attributable to the owners of the Group	(39,713)	(45,328)	(44,677)
Weighted average number of common shares for calculation purposes (thousands of shares) (*)	170,477	170,477	170,477
Basic and diluted loss per share	(0.233)	(0.266)	(0.262)

(*) Considers the one-for-three forward split of common shares and share dividend approved in the Company’s general meeting of shareholders on January 29, 2013.

The Group has no potential dilutive shares. Diluted loss per share is therefore equal to basic loss per share.

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20. NET OPERATING REVENUE

Operating revenue in the amount of US$610,263 (US$359,595 in 2010; US$166,514 in 2009) of the Group is derived principally from rig charter and related services. As of December 31, 2011, of the total of revenues, 93% (97% in 2010 and 97% in 2009) is derived from one client, Petrobras.

Net operating income is stated after the following items:

	For the years ending December 31,		
	2011	2010	2009
Operating revenue	610,263	359,595	166,514
Taxes on revenue:			
PIS	(3,396)	(1,853)	(1,419)
COFINS	(15,640)	(8,542)	(6,537)
ISS	(4,896)	(2,435)	(2,000)
Net operating revenue	586,331	346,765	156,558

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21. COSTS OF SERVICES AND OPERATING EXPENSES

	For the years ending December 31,								
	2011			2010			2009		
Costs and expenses by nature	Costs of services	General and administrative expenses	Total	Costs of services	General and Administrative expenses	Total	Costs of services	General and administrative expenses	Total
Payroll, charges and benefits	(165,006)	(17,956)	(182,962)	(81,034)	(12,975)	(94,009)	(49,825)	(11,547)	(61,372)
Depreciation	(130,103)	(1,225)	(131,328)	(89,547)	(1,074)	(90,621)	(48,606)	(874)	(49,480)
Materials	(72,756)	-	(72,756)	(42,945)	-	(42,945)	(18,163)	-	(18,163)
Maintenance	(39,217)	-	(39,217)	(27,010)	-	(27,010)	(12,915)	-	(12,915)
Insurance	(11,073)	-	(11,073)	(6,970)	-	(6,970)	(3,820)	-	(3,820)
Other (*)	(47,991)	(10,607)	(58,598)	(16,948)	(10,650)	(27,598)	(7,857)	(7,541)	(15,398)
	(466,146)	(29,788)	(495,934)	(264,454)	(24,699)	(289,153)	(141,186)	(19,962)	(161,148)

(*) Comprised mainly of costs and expenses with: communication; transportation; information technology; legal advisors; auditors; advisory services; among others.

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22. OTHER EXPENSES, NET

	For the years ending December 31,		
	2011	2010	2009
Revenue from sales of property, plant and equipment	707	892	3,168
Other	-	50	239
Other income	707	942	3,407
Penalties (*)	(10,796)	(35,037)	(17,309)
Cost of property, plant and equipment sold	(338)	(166)	(1,979)
Other	(869)	-	-
Other expenses	(12,003)	(35,203)	(19,288)

(*) Refer to provisions for contractual penalties relating to certain contracts (Note 16).

23. FINANCIAL COSTS, NET

	For the years ending December 31,		
	2011	2010	2009
Interest on cash investments	1,591	1,548	1,370
Financial income from related parties	608	178	169
Exchange rate variations	483	1,465	722
Other financial income	737	373	340
Financial income	3,419	3,564	2,601
Financial charges on loans and financings	(60,012)	(25,865)	(24,711)
Loss arising on derivatives instruments	(40,753)	(41,215)	(1,196)
Financial cost from related parties	(15,995)	(6,280)	-
Exchange rate variations	(796)	296	(6,737)
Other financial cost	(4,370)	(6,833)	(1,924)
Financial costs	(121,926)	(79,897)	(34,568)
Financial costs, net	(118,507)	(76,333)	(31,967)

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24. TAXES

The QGOG Constellation, Constellation and the majority of its subsidiaries are located jurisdictions which do not charge income tax. Certain of the combined entities operate in the Netherlands and Luxembourg, but none of these reported taxable income for the years reported.

The subsidiary QGOG operates in Brazil, and the related taxes and contributions are as follows:

a) Recoverable taxes

	December 31,	
	2011	2010
Taxes on revenue (PIS/COFINS) (*)	868	1,446
Corporate income tax (IRPJ) and social contribution (CSLL) (*)	152	6,064
Other	94	329
Total	1,114	7,839

(*) Credits refer basically to withholding taxes on Petrobras invoices.

b) Taxes payables

	December 31,	
	2011	2010
Corporate income tax (IRPJ) and social contribution (CSLL)	1,583	-
State VAT (ICMS)	301	465
Services Tax (ISS)	1,038	843
Others	66	21
Total	2,988	1,329

c) Deferred income taxes liabilities

	December 31,	
	2011	2010
Corporate income tax (IRPJ) and social contribution (CSLL)	9,415	12,159

d) Effect of income tax results

	For the years ending December 31,		
	2011	2010	2009
Losses before taxes	(38,378)	(46,787)	(45,623)
Taxed on the outcome (0%)	-	-	-
Income tax effects of businesses subjected to taxes ("QGOG" - 34%)	(8,558)	19,488	12,699
Non-deductible expenses	(122)	(3,576)	(1,224)
Tax loss carryforwards utilized (not recognized)	3,270	(14,453)	(10,502)
Other	264	-	(27)
Tax	(5,146)	1,459	946
Effective tax rate	26%	-3%	-2%

At December 31, 2011, 2010 and 2009, the subsidiary QGOG has tax loss carryforwards in the amount of US$12,053, US$25,689 and US$14,332, respectively, for which no deferred tax assets are recorded since the Group does not expect that QGOG's operations will generate taxable income in the foreseeable future.

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25. FINANCIAL INSTRUMENTS

a) General considerations

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the mix of debt and equity.

The Group's main financial instruments are cash and cash equivalents, short-term investments, restricted cash, trade and other payables, loans and financings and derivative instruments, as follows:

		2011		2010	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	Fair value through profit loss	188,938	188,938	84,301	84,301
Short term investments	Fair value through profit loss	138,672	138,672	8,544	8,544
Restricted cash	Fair value through profit loss	26,325	26,325	29,602	29,602
Trade and other receivables	Loan and receivables	57,827	57,827	93,300	93,300
Related parties	Loan and receivables	173,945	173,945	111,106	111,106
Derivatives	Fair value through profit loss	-	-	8,653	8,653
Other assets	Loan and receivables	23,332	23,332	18,748	18,748
Financial liabilities					
Loans and financing	Not measured at fair value	2,440,522	2,451,469	2,006,349	2,006,349
Trade and other payables	Not measured at fair value	27,900	27,900	16,998	16,998
Related parties	Not measured at fair value	134,917	134,917	139,668	139,668
Derivatives	Fair value through profit loss	133,710	133,710	98,347	98,347
Other liabilities	Not measured at fair value	31,436	31,436	15,102	15,102

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

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Management believes that there is no significant risk of short-term fluctuations in the day-rates on charter services due to the respective contracts being long-term.

Management also believes that the carrying amounts of the remaining financial instruments are not significantly different from their fair value as it considers that interest rates on such instruments are not significantly different from market rates.

Additionally, the amounts of accounts receivables and payables reported in these financial statements do not differ significantly from their fair value due to the turnover of these accounts being less than 30 days.

b) Fair value hierarchy

IFRS 7 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 date of measurement. The standard 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 used to develop those assumptions. The fair value hierarchy gives greater weight to market information available (i.e., observable) and less weight to information related to the data without transparency (i.e., unobservable data). Additionally, it requires that the Group consider all aspects of nonperformance risk, including the Group's own credit, to measure the fair value of a liability.

IFRS 7 also establishes a hierarchy of three levels to be used 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 three hierarchical levels is shown below:

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

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 little or no market activity. These "inputs" represent the best estimates of management of the Group 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.

According to IAS 39, the Group measures its cash equivalents, short-term investments and derivative financial instruments at fair value. Cash equivalents, short term investments and derivative financial instruments are classified as Level 1 as they are measured using market prices for similar instruments.

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The tables below shows, in summary, our assets and liabilities recorded at fair value on December 31, 2011 and 2010:

	2011		
	Fair value	Quoted prices for identical assets or liabilities (Level 1)	Other observable inputs for assets and liabilities (Level 2)
Financial assets			
Cash equivalents	183,698	183,698	-
Short term investments	138,672	138,672	-
Restricted cash	26,325	26,325	-
Financial liabilities			
Derivatives	133,710	-	133,710

	2010		
	Fair value	Quoted prices for identical assets or liabilities (Level 1)	Other observable inputs for assets and liabilities (Level 2)
Financial assets			
Cash equivalents	42,262	42,262	-
Short term investments	8,544	8,544	-
Restricted cash	29,602	29,602	-
Derivatives	8,653	-	8,653
Financial liabilities			
Derivatives	98,347	-	98,347

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Financial instruments fair value measurement

Group assessed the evaluation of financial assets and liabilities in relation to its market values or its effectiveness 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 estimative to achieve the fair value. Consequently, the estimative presented may not indicate, necessarily, the amounts that maybe obtained in current market. The use of different hypothesis to calculation of fair values can result in significant effect in obtained values.

The method used to assess the fair value of the derivatives, 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), the fair value is equal to its last quoted price at the balance sheet closing date obtained from Bloomberg, multiplied by the number of notes in circulation.

For contracts 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 the purpose of determining the fair value of assets and liabilities measured at amortized cost method, it was not considered the applicability of this adjustment, highlighting the following reasons:

- Trade and other receivables and payables: very short term of maturity; and
- Loans and financing (other than the senior notes issued by QGOG Atlantic / Alaskan Rigs Ltd) and related parties: The fact that fair value information has not been disclosed for these instruments because fair value cannot be measured reliably.

c) Financial risk management

The Group is exposed to liquidity risk, credit risk and market risk. Management beliefs that the Group’s principal market risk exposure is 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 the management of the Group’s short and long-term funding and liquidity management requirements. The Group manages liquidity risk by a combination of maintaining adequate reserves, banking facilities and reserve borrowing facilities (Note 15) by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group cultivates relationships with specific lenders and continually monitors its funding needs together with these lenders. The Group manages the majority of its long term financing on a project-by-project basis. Such financing is arranged as required to support the Group´s operations and growth.

As of December 31, 2011, the Group presents working capital deficiency in the amount of US$1,090,080 (US$707,727 in 2010), mainly as a result of investments during the last 2 years in onshore and offshore rigs and drillship equipment. The Group’s strategy in relation to this working capital deficiency is described in Note 1.

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 or receivable 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:

Atendimento Prisma

Period	Loans and financing	Derivatives	Trade payables	Related parties	Total
2012	805,950	45,613	27,900	4,278	883,741
2013	392,665	49,045	-	-	441,710
2014	439,295	30,822	-	-	470,117
2015	353,726	14,879	-	-	368,605
2016	256,949	5,595	-	-	262,544
2017	305,921	(185)	-	-	305,736
After 2017	178,436	(1,695)	-	288,801	465,542
Total	2,732,942	144,074	27,900	293,079	3,197,995

Credit risk

Credit risk refers to the risk that counter-party will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially subject the Group to concentrations of credit risk are primarily cash and cash equivalents, trade receivables and receivables from related parties. It is the Group's practice to place its cash and cash equivalents in time deposits at commercial banks with high credit ratings or at mutual funds, which invest exclusively in high quality money market instruments. The Group limits the amount of exposure to any one institution to minimize its exposure to credit risk.

The Group has a concentration of trade receivables with Petrobras, which is the Group's main customer. Management considers that the credit risk arising from this concentration is minimal as Petrobras is rated as Investment Grade by rating agencies, is a government controlled entity with a history of full payment, and of being respectful of contractual rights.

Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts. The Group is exposed to fluctuations in US$ LIBOR interest rates charged on its loans and financings as reported in Note 15. As discussed in Note 18, the Group manages this interest rate risk by taking out variable-to-fixed interest rate swaps. As a result of the swaps in place at the balance sheet date, the Group's exposure to changes in interest rate expense as a result of fluctuations in US$ LIBOR is in respect of changes in fair values of the respective interest rate swaps. As discussed in Note 18, these interest rates swaps are held at fair value in the balance sheet. The fair value of these instruments is affected by factors including market expectations for future changes to US$ LIBOR. Changes to these expectations affect the value of the swaps of the Group and its subsidiaries, producing effects in the statement of operations unless such changes are capitalized.

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Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and considers the effects of an increase or decrease of 0.1 basis point on outstanding loans and financing and the effects of either an increase or a decrease of 0.1 basis point in the interest curve (Libor), and its impacts in the swaps mark to market on the date of the combined financial statements. For floating rate liabilities (US$ LIBOR + spread), the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 0.1 basis point 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 basis point higher/lower and all other variables were held constant, the Group's:

- Loss for the year ended December 31, 2011 would decrease/increase by US$569 (2010: decrease/increase by US$79 and 2009: decrease/increase by US$324). This mainly attributable to the Group´s exposure to interest rates on its variable rate borrowings (US$ LIBOR plus spread); and
- Other comprehensive loss for the year ended December 31, 2011 would decrease/increase by US$50, mainly as a result of the changes in the fair value of the cash flow hedges.

d) Capital management

The Group manages its capital structure, which consists of the relation between financial debt and shareholders' equity, as follows:

	2011	2010
Loans and financings [(a)]	2,440,522	2,006,349
Cash transactions [(b)]	(353,935)	(122,447)
Net debt	2,086,587	1,883,902
Shareholders' equity[(c)]	1,122,436	1,226,977
Net debt ratio	65%	61%

(a) Consider all loans and financings.

(b) Includes cash and cash equivalents, short-term investments and restricted cash destined to settle debt.

(c) Includes all shareholders´ equity accounts managed as capital.

Atendimento Prisma

26. INSURANCE

As at December 31, 2011 and 2010, major assets or interests covered by insurance and respective amounts are summarized below:

	December 31,	
	2011	2010
Civil liability	1,401,324	1,066,000
Operating risks	4,086,175	2,332,500
Operational headquarter and others	8,930	74

The Group has insurance coverage for assets subject to risks in amounts considered sufficient by Management to cover possible losses, considering the nature of its activities.

27. PENSION PLAN

The Group, through its subsidiary QGOG, offers a private defined contribution pension plan to all employees and management. Under the plan, up to 12% of the monthly salary is contributed by the employee and up to 6.5% by the employer, according to their level of seniority. The plan is managed by Bradesco Vida e Previdência under two regimes: progressive and regressive. When employees choose to abandon the plan before the end of payments, the contributions still payable are reduced to the amount already paid by QGOG. The QGOG`s only obligation to the Pension Plan is to make its specified contributions.

The amount of US$1,465 for the year ended December 31, 2011 (US$898 in 2010) recognized in the account “Payroll and related taxes”, refers to contributions payable by QGOG at rates specified by the rules of these plans.

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28. ADDITIONAL INFORMATION ON CASH FLOWS

	2011	2010	2009
Non-cash investing activities:			
Recognition of accrued costs of drilling rigs and drillships under construction	652,890	-	53,614
Borrowing costs capitalized	27,942	21,516	170,245
Other	(1,072)	453	670
	679,760	21,969	224,529

29. SUBSEQUENT EVENTS

New partnership with Petrobras and Sete Brasil

On August 3, 2012, Angra signed three shareholders agreements to acquire a 15% equity interest in three special purpose companies, each one owning an ultra-deepwater semi-submersible rig (Urca, Bracuhy and Mangaratiba) in partnership with Sete Brasil. In the same day, the partnership signed charter agreements of these assets with Petrobras. These three ultra-deepwater semi-submersible offshore rigs are expected to be delivered in 2016, 2018 and 2019, respectively. QGOG will be the sole operator of these rigs.

FPSO Cidade de Ilhabela

On March 20, 2012, Arazi and Lancaster, Constellation´s subsidiaries, signed a shareholders' agreement with SBM and Mitsubishi Corporation, in order to create Guara Norte S.à.r.l. ("Guara Norte") and Guara Norte Operações Marítimas Limitada ("Guara Norte Operações Marítimas"). These entities will respectively charter and operate the FPSO Cidade de Ilhabela for Petrobras with an expected date for the start of the operations in third quarter of 2014.

The Group has a participation of 12.75% in these entities and has the right to acquire an additional interest of 12.75% from SBM within fifteen days of the final acceptance of the FPSO, based on the capital invested by SBM plus interest of 8% p.a.

On March 30, 2012, the charter and operate contracts were signed with Petrobras for 20 years, and the Group will jointly-operate with SBM.

On August 1, 2012, the Company and its partners SBM Holding Inc. and Mitsubishi Corporation, signed a loan of US$1.05 billion in order to finance the construction of the FPSO Cidade de Ilhabela which is being converted in Guangzhou, China, and will come to Brazil to complete the construction and the integration of modules before the start of operations.

The loan agreement was structured as a Limited Recourse Project Finance and will be repaid over a period of 10 years, starting at the first oil date, which is expected to be in September 2014. The contract will benefit from a competitive package of conditions obtained through a group of international commercial banks. The facility was negotiated so as to allow additional banks the option of contributing to the operation, up to a maximum amount of US$1.2 billion.

Project Finance of Amaralina and Laguna

The Project Financing was signed on March 27, 2012 and four tranches were disbursed in the amounts of US$ 203,413, US$323,527, US$361,112 and US$29,626 in May, June, September and December 2012, respectively. The payments for the construction of Amaralina Star and Laguna Star drillships were made in July 2012 and in September 2012.

The construction of Amaralina Star and Laguna Star were concluded on July 2012 and September 2012, respectively, and those drillships commenced operations in September 2012 and November 2012, respectively.

Atendimento Prisma

Corporate Reorganization

In October, 2012, the Group has completed its corporate reorganization which was related to its directly wholly owned subsidiaries. This restructuring did not result in any impact on the Group's consolidated financial statements. Following is a description of the directly wholly owned sub holdings of the Company:

- QGOG Star GmbH, an entity organized under the laws of Switzerland on May 2, 2012, which wholly-owns Constellation. Constellation continues to wholly-own, directly and indirectly, the entities which own the drilling rigs.
- Arazi S.à.r.l. ("Arazi"), an entity organized under the laws of Luxembourg on May 12, 2011, which holds investments in the following Floating, Production, Storage and Offloading - FPSO vessels: FPSO Capixaba, FPSO Cidade de Ilhabela and FPSO Cidade de Paraty. Before restructuring, Arazi was a wholly-owned subsidiary of Constellation.
- Constellation Netherlands B.V., an entity organized under the laws of the Netherlands on April 3, 2012, which indirectly wholly-owns certain entities that are party to Constellation's offshore charter agreements with Petróleo Brasileiro S.A. ("Petrobras").
- Centaurus S.à.r.l., an entity organized under the laws of Luxembourg on July 27, 2007, which directly wholly-owns Eiffel Ridge C.V., an entity that is party to Constellation's offshore charter agreements with Petrobras related to Lone and Gold offshore drilling rigs.
- Angra Participações B.V ("Angra"), an entity organized under the laws of Netherlands on May 11, 2012, which holds a 15% equity interest in three Special Purpose Entities ("SPE"), each with an ultra-deepwater semi-submersible rigs (Urca, Bracuhy and Mangaratiba) in partnership with Sete Brasil.

Samsung Letter of Intent

On August 15, 2012, the Company executed a letter of intent with Samsung Heavy Industries Co., Ltd ("Samsung"), which provides an option to enter into two Engineering, Procurement, Construction and Integration contracts by November 15, 2012 for the construction and delivery of two ultra-deepwater drillships to be delivered by December 2014 and March 2015, respectively. Under the letter of intent, the Company has the right to extend the date on which it enters into the second EPC contract by a period of up to one month, so long as the Company enters into the first EPC contract by November 15, 2012.

On November 14, 2012, the Company, through one of its subsidiaries, exercised the option to enter into a contract with Samsung to design, construct, build, complete and deliver an ultra-deepwater drillship. The total project costs (without an estimate of capitalized interest) is approximately US$ 660 million. According to the payment schedule, the Company paid 10% of the contract price as a first installment in November 2012, and 20% of the contract price is due as a second installment in the second half of 2013, and the remaining 70% of the contract price is due upon delivery, subject to the terms and conditions of the construction contract. The Company expects that Samsung will deliver this ultra-deepwater drillship by December 2014.

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On January 16, 2013, the Company executed an amendment to the letter of intent with Samsung, through one of its subsidiaries, granting the Company a right to exercise an option to enter into an additional contract with Samsung to design, construct, build and complete an additional ultra-deepwater drillship. The Company expects the delivery of the drillship by March 2015, and the total project cost of this drillship to be generally consistent with the project cost of the drillship of the first option.

Corporate Bond

On November 9, 2012, the Company issued Senior Unsecured Notes in the amount of US$700 million (US$ 683.3 million net of commissions and expenses). The Senior Unsecured Notes bear interest at 6.25%p.a., which the Company will pay semi-annually on May and November of each year, beginning in May 2013. The Senior Unsecured Notes will mature in November 2019.

The Senior Unsecured Notes are guaranteed on a senior unsecured basis by Constellation. In addition, the Company established an interest reserve account in favor of the collateral agent, which was fully funded in an amount sufficient to provide for the payment of the next two succeeding interest payments.

The Company used the net proceeds from the Senior Unsecured Notes to repay Constellation's working capital loans with Bradesco and Itaú BBA, and the excess proceeds will be used for general corporate purposes.

Atendimento Prisma

Onshore drilling contract signed with Shell

On December 19, 2012, the Company signed a contract with Shell to provide onshore drilling services in the São Francisco Basin, Brazil, using the onshore rig QG-I. Management expects to begin providing these services during the second half of 2013, after the expiration of the current contract for the QG-I rig with OGX.

Concurrent Private Placement

On January 17, 2013, QGOG Constellation entered into a share exchange agreement with Delba and its shareholders in which Delba agreed to exchange its 45% equity interest in Amaralina Star Ltd. and Laguna Star Ltd. for 3,580,026 common shares of QGOG Constellation, which will represent 2.1% of QGOG Constellation's common shares (without taking into account the common shares it will issue in the Initial Public Offering described below), together with cancellation of Delba's loans with the Company. QGOG Constellation's shareholders will transfer these shares to the Company to implement the exchange with Delba concurrently with the completion of the Initial Public Offering through a private placement that will not be registered under the U.S. Securities Act of 1933, as amended. Upon this transfer, the Company will own 100% of the equity interest in Amaralina Star Ltd. and Laguna Star Ltd. Pursuant to paragraph 30 and 31 of IAS 27, the acquisition of the non-controlling interests in these entities will be accounted for as equity transactions with no impact on the Company's assets, liabilities or results of operations.

In addition to receiving the Company´s common shares, Delba´s loans with Constellation will be cancelled.

Initial Public Offering

On January 7, 2013, QGOG Constellation filed its registration statement with the U.S. Securities and Exchange Commission ("SEC") in connection with its Initial Public Offering ("IPO") of 27,500,000 common shares, which are expected to commence trading after the SEC completes its review process and the offering is consummated. After the pricing, it is expected that the common shares will trade on the New York Stock Exchange. The Company has granted the underwriters an option to purchase a maximum of 4,125,000 additional common shares from the Company, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus. This process is in progress and it is expected that the closing will occur in February 2013.

The Company's share capital will consist of 197,977,364 common shares, after its proposed initial public offering, assuming no exercise of the underwriters' option to purchase additional common shares. If the underwriters exercise their option to purchase additional common shares in full, QGOG Constellation will have 202,102,364 common shares issued and outstanding.

Share Split

On January 29, 2013, the Company's shareholders approved a one-for-three forward split of QGOG Constellation's common shares, immediately converting all of QGOG Constellation's shares to shares with no par value. All references to common shares in these combined financial statements have been retroactively adjusted to reflect this forward split.

Atendimento Prisma

Share Dividend

On January 29, 2013, the Company's shareholders approved a share dividend of 3,580,026 common shares. The shares were issued pro-rata to the Company's existing shareholders. All references to common share values in these combined financial statements have been retroactively adjusted to reflect this share dividend.

Legal Reserve

On January 29, 2013, the Company's general meeting of shareholders approved the transfer of US$5,683 from share premium to legal reserve.

Share-based Compensation ("Incentive Compensation Plan")

On January 29, 2013, the Company's general meeting of shareholders approved the QGOG Constellation S.A. 2013 Incentive Compensation Plan, or the 2013 Incentive Compensation Plan, under which the Company will grant equity-based awards to its directors, officers and certain employees.

The plan is intended to retain and attract individuals and to further Company's growth, development and financial success by aligning the personal interests of the participants of this plan, through the ownership of Company's shares and other incentives, with Company's interests and those of its shareholders. Awards granted under the 2013 Incentive Compensation Plan may be incentive stock options, non-statutory stock options, restricted stock, restricted stock units or other share-based awards.

The maximum number of shares that may be delivered in satisfaction of awards under the 2013 Incentive Compensation Plan will be approximately 5% of Company's outstanding shares (after the consummation of the initial public offering), subject to customary adjustments.

30. APPROVAL OF THE RESTATED COMBINED FINANCIAL STATEMENTS

The restated combined financial statements were approved by the Board of directors and authorized for issue on January 29, 2013.

31. RESTATEMENT OF PREVIOUSLY ISSUED COMBINED FINANCIAL STATEMENTS

Subsequent to the issue of the Company's combined financial statement on June 13, 2012, the Company determined that its policy for the recognition of mobilization revenues and costs was not in accordance with IAS 11, paragraph 8 and 9. Consequently, the Company restated its combined financial statements to defer mobilization revenues and costs over the period that the related charter and operation services are rendered. Following are the impacts of this restatement on the previously reported amounts for the respective periods:

	For the year ended December 31,					
	2011		2010		2009	
	Previously reported	As restated	Previously reported	As restated	Previously reported	As restated
Net operating revenue	617,495	586,331	362,065	346,765	172,463	156,558
Costs of services	(478,497)	(466,146)	(277,906)	(264,454)	(153,257)	(141,186)
Gross profit	138,998	120,185	84,159	82,311	19,206	15,372
Loss for the year	(24,711)	(43,524)	(43,480)	(45,328)	(40,843)	(44,677)
Total comprehensive loss	(80,165)	(98,978)	(41,226)	(43,074)	(19,720)	(23,554)
Basic and diluted loss per share	(0.123)	(0.233)	(0.255)	(0.266)	(0.240)	(0.262)

	As of December 31,			
	2011		2010	
	Previously reported	As restated	Previously reported	As restated
Deferred mobilization costs - current assets	-	7,962	-	5,094
Deferred taxes over mobilization revenue - current assets	-	163	-	23
Current assets	499,488	507,713	288,970	294,087
Deferred mobilization costs - noncurrent assets	-	29,912	-	20,429
Deferred taxes over mobilization revenue - noncurrent assets	-	365	-	10
Noncurrent assets	4,196,111	4,226,388	3,364,004	3,384,443
Total assets	4,695,699	4,734,101	3,652,974	3,678,530
Deferred mobilization revenue - current liabilities	-	13,801	-	6,422
Current liabilities	1,583,992	1,597,793	995,392	1,001,814
Deferred mobilization revenue - noncurrent liabilities	-	49,871	-	25,591
Noncurrent liabilities	1,964,001	2,013,872	1,424,148	1,449,739
Total liabilities	3,547,993	3,611,665	2,419,540	2,451,553
Shareholder's equity	1,147,706	1,122,436	1,233,434	1,226,977
Total liabilities and shareholder's equity	4,695,699	4,734,101	3,652,974	3,678,530

Atendimento Prisma