QGOG Constellation S.A.

Consolidated Financial Statements
as of December 31, 2015
and for the Year Then Ended and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

Atendimento Prisma

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of QGOG Constellation S.A. and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

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Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit qualified opinion.

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Basis for Qualified Opinion

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

As disclosed in Note 12, the Company's investments in the associates Urca Drilling B.V., Bracuhy Drilling B.V. and Mangaratiba Drilling B.V. (all together denominated "Investees"), accounted for by the equity method of accounting, are carried at US$12,723 thousand on the consolidated statement of financial position as at December 31, 2015, and the Company's share of the Investees net loss amounts of US$1,484 thousand, are included in the Company's consolidated statement of operations for the year then ended. The majority shareholder of these Investees is Sete International One GmbH ("Sete International"), a subsidiary of Sete Brasil Participações S.A. ("Sete Brasil").

Sete Brasil is facing funding and liquidity difficulties to meet its operational and financing commitments in order to complete the construction of its semi-submersible offshore drilling rigs (including those related to the aforementioned Investees). The delay on the obtainment of financing resources by Sete Brasil indicates the existence of a material uncertainty that may cast significant doubt about the Investees' ability to continue as a going concern.

Until the date of this report, we were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Company's investments in the Investees as at December 31, 2015, and the Company's share of the Investees total comprehensive loss for the year then ended. Consequently, we were unable to determine whether any adjustments or additional disclosures to the accompanying notes of these Investees balances as at December 31, 2015 and for the year then ended were due necessary.

Opinion

In our opinion, except for the possible effects, if any, of the matter described in the Basis for Qualified Opinion paragraph above, the consolidated financial statements present fairly, in all material respects, the financial position of QGOG Constellation S.A. and its subsidiaries as at December 31, 2015, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Emphasis of matter

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

Without qualifying our opinion, we draw attention to Note 12 to the consolidated financial statements, which discloses the uncertainty related to the outcome of the contingent liability of the Company's investments in associates and joint ventures held with its partner, SBM Offshore N.V. and its subsidiaries, related to operations in Brazil.

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Other matter

The consolidated financial statements as at December 31, 2014 and for the year then ended were audited by us and our independent auditor's report dated March 19, 2015, contained the following departures from standard auditors' report:

(i) Same qualification described in the "Basis for Qualified Opinion" paragraph above ("Partnership with Sete Brasil Participações S.A. and its subsidiaries - Investments in associates");

(ii) Same emphasis of matter described in the "Emphasis of matter" paragraph above ("Partnership with SBM Offshore N.V. and its subsidiaries - Contingent liability"); and

(iii) Emphasis of matter paragraph regarding the uncertainty in the Company's operations related to the notice received by Queiroz Galvão Óleo e Gás S.A. ("QGOG"), one of the Company's subsidiaries, from Petrobras in December 2014, mentioning that QGOG had been temporarily suspended from entering into direct contracts and taking part in future bids by its main customer until the investigations being held by the Brazilian Comptroller General's Office (*Controladoria Geral da União - CGU*) related to the "Lava Jato" operation was concluded.

Following the matter disclosed in Note 1 (topic "Notices received by QGOG from Petrobras") to the consolidated financial statements as at December 31, 2015 and for the year then ended, on November 20, 2015, the CGU decided to exclude QGOG from the administrative procedure and, subsequently on January 28, 2016, Petrobras reversed the aforementioned temporary suspension, and also closed the administrative procedure against QGOG.

Based on the above mentioned, the emphasis of matter paragraph included in our independent auditor's report dated March 19, 2015, is no longer applicable for the purposes of the consolidated financial statements as at December 31, 2015 and for the year ended.

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Rio de Janeiro, Brazil
March 17, 2016

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QGOG CONSTELLATION S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015
(Amounts expressed in thousands of U.S. dollars - US$)

ASSETS	Note	December 31, 2015	December 31, 2014
CURRENT ASSETS			
Cash and cash equivalents	6	154,810	147,079
Short-term investments	7	246,871	83,470
Restricted cash	8	21,744	37,842
Trade and other receivables	9	109,455	102,313
Inventories	10	179,230	161,664
Recoverable taxes	24.a	10,742	3,284
Deferred mobilization costs		12,385	10,857
Deferred tax assets	24.c	200	1,056
Receivables from related parties	11	1,417	13,042
Other current assets		21,930	28,483
		758,784	589,090
NON-CURRENT ASSETS			
Receivables from related parties	11	315,380	323,960
Derivatives	18	896	-
Other non-current assets		3,819	523
Investments	12	245,306	222,850
Deferred mobilization costs		17,583	23,864
Deferred tax assets	24.c	2,378	5,747
Property, plant and equipment, net	13	4,328,023	4,448,868
		4,913,385	5,025,812
TOTAL ASSETS		5,672,169	5,614,902

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

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QGOG CONSTELLATION S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2015
(Amounts expressed in thousands of U.S. dollars - US$)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	December 31, 2015	December 31, 2014
CURRENT LIABILITIES			
Loans and financings	14	390,075	417,979
Accrued liabilities	15	-	390,697
Payroll and related charges		36,295	55,102
Derivatives	18	24,377	28,445
Trade and other payables		26,566	30,650
Payables to related parties	11	623	2,719
Taxes payables	24.b	9,559	3,375
Provisions	16	4,570	1,551
Deferred revenues		56,343	24,505
Other current liabilities		59,655	52,622
		608,063	1,007,645
NON-CURRENT LIABILITIES			
Loans and financings	14	2,231,275	2,016,748
Payables to related parties	11	288,694	265,406
Derivatives	18	11,198	21,748
Deferred revenues		82,966	73,859
Other non-current liabilities		1,555	1,424
		2,615,688	2,379,185
TOTAL LIABILITIES		3,223,751	3,386,830
SHAREHOLDERS' EQUITY			
Share capital	19.a	63,200	63,200
Share premium	19.a	766,561	766,561
Transaction costs on issuance of shares		(9,721)	(9,721)
Reserves	19.b/d	(33,082)	(5,407)
Retained earnings		1,634,115	1,405,712
Equity attributable to the owners of the Group		2,421,073	2,220,345
Non-controlling interests	19.e	27,345	7,727
TOTAL SHAREHOLDERS’ EQUITY		2,448,418	2,228,072
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		5,672,169	5,614,902

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

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QGOG CONSTELLATION S.A.

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts expressed in thousands of U.S. dollars - US$, except per share amounts)

	Note	Year ended December 31, 2015	2014
NET OPERATING REVENUE	20	1,057,594	1,101,667
COST OF SERVICES	21	(535,700)	(627,983)
GROSS PROFIT		521,894	473,684
General and administrative expenses	21	(43,902)	(56,716)
Other income	22	13,991	10,146
Other expenses	22	(66,327)	(2,283)
OPERATING PROFIT		425,656	424,831
Financial income	23	11,338	14,805
Financial expenses	23	(119,694)	(120,760)
Net foreign exchange gain/(loss)	23	218	(760)
FINANCIAL EXPENSES, NET		(108,138)	(106,715)
Share of results of investments	12	23,637	26,783
PROFIT BEFORE TAXES		341,155	344,899
Taxes	24.d	(24,247)	3,746
PROFIT FOR THE YEAR		316,908	348,645
Profit attributable to the owners of the Group		294,403	339,931
Profit attributable to non-controlling interests		22,505	8,714
Profit per share			
Basic	19.f	1.56	1.80
Diluted	19.f	1.56	1.80

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QGOG CONSTELLATION S.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts expressed in thousands of U.S. dollars - US$)

	Note	Year ended December 31, 2015	2014
PROFIT FOR THE YEAR		316,908	348,645
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges fair value adjustments attributable to:			
Owners of the Group	19.d	(7,250)	(4,345)
Non-controlling interests	19.d	(2,887)	(3,555)
	18/19.d	(10,137)	(7,900)
Share of investments' other comprehensive loss	12/19.d	1,458	(8,321)
Foreign currency translation adjustments	19.d	(21,883)	(9,205)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		286,346	323,219
Comprehensive income attributable to the owners of the Group		266,728	318,060
Comprehensive income attributable to non-controlling interests		19,618	5,159

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

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts expressed in thousands of U.S. dollars - US$)

					Reserves					Equity attributable to		
	Note	Capital	Share premium	Transaction costs on issuance of shares	Legal	Cash flow hedges fair value adjustments	Share of investments' other comprehensive loss	Foreign currency translation adjustments	Retained earnings	Owners of the Group	Non-controlling interests	Total shareholders' equity
BALANCE AS OF DECEMBER 31, 2013		63,200	766,561	(9,721)	5,683	5,553	(7,009)	12,237	1,065,781	1,902,285	2,568	1,904,853
Profit for the year		-	-	-	-	-	-	-	339,931	339,931	8,714	348,645
Other comprehensive loss for the year	19.d	-	-	-	-	(4,345)	(8,321)	(9,205)	-	(21,871)	(3,555)	(25,426)
Total comprehensive income for the year		-	-	-	-	(4,345)	(8,321)	(9,205)	339,931	318,060	5,159	323,219
BALANCE AS OF DECEMBER 31, 2014		63,200	766,561	(9,721)	5,683	1,208	(15,330)	3,032	1,405,712	2,220,345	7,727	2,228,072
BALANCE AS OF DECEMBER 31, 2014		63,200	766,561	(9,721)	5,683	1,208	(15,330)	3,032	1,405,712	2,220,345	7,727	2,228,072
Profit for the year		-	-	-	-	-	-	-	294,403	294,403	22,505	316,908
Payment of dividends	19.c	-	-	-	-	-	-	-	(66,000)	(66,000)	-	(66,000)
Other comprehensive loss for the year	19.d	-	-	-	-	(7,250)	1,458	(21,883)	-	(27,675)	(2,887)	(30,562)
Total comprehensive income for the year		-	-	-	-	(7,250)	1,458	(21,883)	228,403	200,728	19,618	220,346
BALANCE AS OF DECEMBER 31, 2015		63,200	766,561	(9,721)	5,683	(6,042)	(13,872)	(18,851)	1,634,115	2,421,073	27,345	2,448,418

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QGOG CONSTELLATION S.A.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts expressed in thousands of U.S. dollars - US$)

	Note	Year ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		316,908	348,645
Adjustments to reconcile profit for the year to net cash provided by operating activities:			
Depreciation of property, plant and equipment	13/21	207,256	191,823
Gain on disposal of property, plant and equipment, net	22	(266)	(164)
Impairment loss recognised on property, plant and equipment	13/22	63,112	-
Share of results of investments	12	(23,637)	(26,783)
Recognition of deferred mobilization costs		12,561	15,340
Recognition of deferred revenues, net of taxes levied		(25,647)	(29,383)
Financial expenses on loans and financings	14.a/23	104,456	103,952
Financial income from related parties, net	11/23	(5,565)	(6,195)
Fair value loss on derivatives	18/23	6,827	6,414
Provision for employee profit sharing plan		18,115	26,918
Other financial expenses, net	23	2,420	2,544
Provisions	16/22	3,318	1,470
Taxes	24.d	24,247	(3,746)
Changes in working capital:			
Decrease/(increase) in short-term investments		(172,106)	195,784
Increase in trade and other receivables		(16,278)	(14,415)
Increase in receivables from related parties		4,352	(11,800)
Increase in inventories		(34,724)	(15,120)
Increase in recoverable taxes		(9,972)	(1,736)
Increase in deferred mobilization costs		(8,102)	(2,369)
Decrease/(increase) in other assets		4,314	(10,389)
Decrease in payroll and related charges		(20,209)	(25,273)
Increase in trade and other payables		649	5,174
Increase/(decrease) in payables to related parties		(1,355)	1,332
Decrease in taxes payables		(15,793)	(2,609)
Increase in deferred revenues		70,320	32,447
Increase/(decrease) in provisions		(122)	(7,444)
Increase in other liabilities		2,468	46
Net cash provided by operating activities		507,547	774,463
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to related parties		-	(57,087)
Proceeds from related parties	11.b	43,774	39,534
Capital decrease in investments	12	26,787	11,621
Capital contributions in investments	12/28	(14,529)	(27,730)
Acquisition of property, plant and equipment	13/28	(540,213)	(83,740)
Proceeds from sales of property, plant and equipment	22	367	198
Net cash used in investing activities		(483,814)	(117,204)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to related parties		(2,430)	(6,351)
Proceeds from related parties		-	6,700
Dividends paid	19.c	(66,000)	-
Proceeds from loans and financings, net of transaction costs	14.a	636,410	55,000
Interest paid on loans and financings	14.a	(104,286)	(109,459)
Cash payments on derivatives	18	(33,847)	(42,510)
Restricted cash	8	16,098	832
Repayment of principal on loans and financings	14.a	(462,478)	(631,733)
Net cash used in financing activities		(16,533)	(727,521)
Increase/(decrease) in cash and cash equivalents		7,200	(70,262)
Cash and cash equivalents at the beginning of the year	6	147,079	217,530
Effects of exchange rate changes on the balance of cash held in foreign currencies		531	(189)
Cash and cash equivalents at the end of the year	6	154,810	147,079

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

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1. GENERAL INFORMATION

QGOG Constellation S.A. (the "Company", or together with its subsidiaries, the "Group") was incorporated in Luxembourg on August 30, 2011, as a "*société anonyme*" (i.e., "public company limited by shares") and is indirectly controlled by members of the Queiroz Galvão family. The Company has its registered address at 40, Avenue Monterey, L-2163 Luxembourg.

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

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The Company holds investments in subsidiaries that charter and operate onshore and offshore drilling rigs and drillships for exploration and production entities operating mainly in Brazil. The Group currently charters onshore and offshore drilling rigs and drillships mainly to Petróleo Brasileiro S.A. ("Petrobras").

The Group's fleet is currently comprised by the following drilling rigs and drillships:

Drilling rigs and drillships	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 (*)	Onshore drilling rig	2011
QG-VI	Onshore drilling rig	2008
QG-VII (*)	Onshore drilling rig	2008
QG-VIII (*)	Onshore drilling rig	2011
QG-IX (*)	Onshore drilling rig	2011
Alaskan Star	Offshore drilling rig	1994
Atlantic Star	Offshore drilling rig	1997
Olinda Star	Offshore drilling rig	2009
Gold Star	Offshore drilling rig	2010
Lone Star	Offshore drilling rig	2011
Alpha Star	Offshore drilling rig	2011
Amaralina Star	Drillship	2012
Laguna Star	Drillship	2012
Brava Star	Drillship	2015

(*) As of December 31, 2015, these onshore drilling rigs were not hired under charter and service-rendering agreements, and thus the Group is seeking for new customers.

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

Brava Star drillship

On November 14, 2012, the Group entered into an agreement with Samsung Heavy Industries Co., Ltd. ("Samsung") to design, construct, complete and deliver an ultra-deepwater drillship; the Brava Star drillship.

On May 26, 2014, the Group signed a 3-year agreement to charter and render drilling services within the pre-salt area, offshore the Brazilian coast, using the Brava Star drillship to the consortium BM-S-11, which is comprised by Petrobras (consortium operator), BG E&P Brasil Ltda. and Petróleos de Portugal - Petrogal, S.A.

Samsung delivered the Brava Star drillship on May 29, 2015, and operations started on August 18, 2015.

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

On March 21, 2014, the Group signed an agreement to charter and render drilling services for President Energy PLC and President Energy Paraguay S.A., with a 210-day term beginning at start of operations. The agreement aimed to drill two oil wells in Paraguay, using the onshore drilling rig QG-I. The first oil well started to be drilled in June 2014 and the agreement was terminated in January 2015.

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On February 15, 2016, the Group signed an agreement to charter and render drilling services for Amerisur Resources PLC and Amerisur S.A.. The drilling operations are schedule to begin in April 2016, and shall have a minimum term of 40 days. The agreement aims to drill one oil well in Paraguay, using the onshore drilling rig QG-I.

Olinda Star offshore drilling rig charter and service-rendering agreements and scheduled 5-year survey

On July 14, 2014, the Group signed an agreement with Karoon Petróleo e Gás Ltda. ("Karoon") to charter and render drilling services in two oil wells, using the Olinda Star offshore drilling rig. The operations started on October 22, 2014. The agreement had an estimated duration of 120 days, with an extension option for another 120 days to drill two optional wells.

The charter and service-rendering agreements were extended to the first optional oil well. On April 27, 2015, Karoon notified the Group that it would not require the drilling of the second optional oil well (which would represent the fourth oil well in aggregate), pursuant to the provisions of the charter and service-rendering agreements. Such agreements expired on May 28, 2015.

On August 26, 2014, the Group signed amendments to the existing charter and service-rendering agreements with Petrobras, in which the duration of such agreements was extended by 150 days as from August 2015. These agreements would be effective after the termination of the aforementioned agreement with Karoon.

On May 29, 2015, the Olinda Star offshore drilling rig started its scheduled 5-year survey and on August 2, 2015, it returned to operate under the current charter and service-rendering agreements with Petrobras. On December 28, 2015, the charter and service-rendering agreements with Petrobras expired.

On December 21, 2015, the Group signed an agreement with Karoon to charter and render drilling services in two oil wells, with an extension option for two additional oil wells. The operations are expected to start during the third quarter of 2016 and, until then, the customer will reimburse stacking costs.

Notices received by QGOG from Petrobras

On December 29, 2014, Queiroz Galvão Óleo Gás S.A. ("QGOG"), one of the Company's subsidiaries, received a notice from Petrobras, which temporarily suspended QGOG from entering into direct contracts and participating in bids for new contracts. This notice did not impact any of the existing contracts between QGOG and Petrobras. QGOG disagreed with the temporary suspension, and thus contested the suspension in order to reverse it.

On March 10, 2015, QGOG received a notice from Petrobras regarding the transfer to the Brazilian Comptroller General's Office (*Controladoria Geral da União* – CGU) of the administrative procedure, in order to avoid duplication of efforts by entities at the federal administration. Petrobras also informed that it would rely on the conclusion of CGU's administrative procedure to decide on eventual sanctions or the reversion of the temporary suspension.

On November 20, 2015, CGU decided to exclude QGOG from the administrative procedure and, subsequently on January 28, 2016, Petrobras reversed the aforementioned temporary suspension and also closed the administrative procedure against QGOG.

Gold Star offshore drilling rig scheduled 5-year survey

On March 20, 2015, the Gold Star offshore drilling rig interrupted its activities in order to execute its scheduled 5-year survey and on May 8, 2015, it returned to operate under the current charter and service-rendering agreements with Petrobras, which expires in February 2018.

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

On April 15, 2011, the Group started the operations of the QG-V onshore drilling rig under a 4-year term charter and service-rendering agreements with Petrobras. Such agreements expired on April 14, 2015, and thus the Group is currently seeking for new customers.

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

On January 3, 2011, the Group started the operations of the QG-II onshore drilling rig under a 5-year term charter and service-rendering agreements with Petrobras. Such agreements expired on January 2, 2016, and thus the Group is currently seeking for new customers.

CADE excluded QGOG from Setal's leniency agreement

On April 28, 2015, the Administrative Counsel of Economic Defense (*Conselho Administrativo de Defesa Econômica* - CADE), the Brazilian antitrust regulator, corrected the leniency agreement disclosed on March 20, 2015, that it had entered into with Setal Engenharia Construções e Perfurações S.A. ("Setal"), SOG Óleo e Gás S.A. and certain affiliated individuals, together with related legal documentation, due to a material error, in order to exclude any and all references to QGOG in all such documents.

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

On June 11, 2008, the Group started the operations of the QG-VII onshore drilling rig under a 4-year term charter and service-rendering agreements with Petrobras, with a negotiated extension by 2 more years ending June 10, 2014. On June 6, 2014, such agreements were amended, including an extension for 2 more years or less, if reported by the customer. Petrobras required the Group to anticipate its termination on July 3, 2015, but decided to deliver the onshore drilling rig and terminate the agreement on May 6, 2015. The Group does not agree with Petrobras position and claims to receive the amounts regarding the remaining contracted period until July 3, 2015. The Group is currently seeking for new customers.

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

On August 13, 2014, the Group signed agreements with Petrobras to charter and render drilling services using the QG-IV onshore drilling rig by 210 days as from the start of operations, which occurred on October 20, 2014. Such agreements expired on June 11, 2015, according to the provisions of the service-rendering agreement related to drilling in progress. The Group is currently seeking for new customers.

FPSO Cidade de Saquarema loan facility

On July 27, 2015, the Group and its partners SBM Holding Luxembourg S.à.r.l. ("SBM Lux"), Mitsubishi Corporation ("Mitsubishi") and Nippon Yusen Kabushiki Kaisha ("NYK Line"), through the joint venture Beta Lula Central S.à.r.l., signed a loan facility amounting to US$1.55 billion with a pool of international commercial banks and export credit agencies, in order to finance the construction of the FPSO Cidade de Saquarema. The loan facility was structured as a Limited Recourse Project Finance and will be repaid over a 14-year period post-completion.

Arquivamento Prisma

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

2.1. Amendments to IFRS adopted in 2015

During the year ended December 31, 2015, the Group has applied a number of amendments to standards and interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after January 1, 2015. The following amendments have been adopted by the Group, but had no impact on its consolidated financial statements, except for additional disclosure requirements:

Standard or interpretation	Description	Effective date
IAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions	July 1, 2014
2010-2012 Cycle	Annual Improvements	July 1, 2014
2011-2013 Cycle	Annual Improvements	July 1, 2014

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

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

Standard	Description	Effective date for annual period beginning on or after
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Amends to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: ✓ Require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS); and ✓ Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.	Effective date deferred indefinitely.
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	Amends to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: ✓ Apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11; and ✓ Disclose the information required by IFRS 3 and other IFRSs for business combinations.	January 1, 2016

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Standard	Description	Effective date for annual period beginning on or after
Disclosure Initiative (Amendments to IAS 1)	Amends to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: ✓ Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply; ✓ Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; ✓ Additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.	January 1, 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	Amends to: ✓ Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for PP&E; ✓ Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated; and ✓ Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.	January 1, 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Amends to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	January 1, 2016
Annual Improvements to IFRSs 2012-2014 Cycle	Makes amendments to the following standards: ✓ IFRS 5: Adds specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued; ✓ IFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements; ✓ IAS 9: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid; and	January 1, 2016

Atendimento Prisma

Standard	Description	Effective date for annual period beginning on or after
	✓ IAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.	
Disclosure Initiative (Amendments to IAS 7)	Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	Amends IAS 12 *Income Taxes* to clarify the following aspects: ✓ Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; ✓ The carrying amount of an asset does not limit the estimation of probable future taxable profits; ✓ Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and ✓ An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.	January 1, 2017
IFRS 9 *Financial Instruments* (2014)	Finalised version, which contains accounting requirements in the following areas: classification and measurement, impairment, hedge accounting and derecognition.	January 1, 2018
IFRS 15 *Revenue from Contracts with Customers*	Provides a single, principles based 5-step model to be applied to all contracts with customers. The 5-steps in the model are as follows: ✓ Identify the contract with the customer; ✓ Identify the performance obligations in the contract; ✓ Determine the transaction price; ✓ Allocate the transaction price to the performance obligations in the contracts; and ✓ Recognise revenue when (or as) the entity satisfies a performance obligation.	January 1, 2018
Editorial Corrections (various)	The IASB periodically issues Editorial Corrections and changes to IFRSs and other pronouncements. Since the beginning of calendar 2013, such corrections have been made in March 2013, September 2013, November 2013, March 2014, September 2014, December 2014, and March 2015.	As minor editorial corrections, these changes are effectively immediately applicable under IFRS
IFRS 16 Leases	Specifies how an IFRS reporter will recognise, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019

Atendimento Prima

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Statement of compliance

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

3.2. Basis of preparation and consolidation

Preparation

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

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

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

Consolidation

The consolidated financial statements incorporate the Company and its subsidiaries.

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

The consolidated financial statements also consider the consolidation of QGOG without the consideration of non-controlling interests, based on the fact that in September 2011, the Group entered into a Share Purchase Agreement with Queiroz Galvão S.A. (“QG S.A.”), pursuant to which it 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, the Group also entered into a call option agreement with QG S.A. to have the right to purchase the remaining 51% of QGOG’s common shares for R$17,836 thousand (US$10,563). The Group advanced R$17,835 thousand (US$10,563) of this amount to QG S.A., with R$1 thousand remaining unpaid and due upon the call option exercise. The call option is exercisable at any time in the sole discretion of the Group and, therefore, the Group effectively controls QGOG.

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The main accounting policies are set out below:

3.3. Functional currency and foreign currencies

The financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the respective entity operates (i.e., functional currency). The Company's functional currency 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 consolidated financial statements are presented in thousands of U.S. dollars, which is the reporting currency of the Group.

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

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

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

In preparing the consolidated financial statements, transactions in currencies other than the respective entity's functional currency (i.e. foreign currencies) are recognised 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 adjustments of monetary items are recognised in profit or loss in the period in which they arise.

3.4. Current and non-current assets and liabilities

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

3.5. Inventories

Inventories refer basically to materials to be used in the drilling rigs and drillships operations and are recorded at the lower of cost and net realizable value. Inventories' costs are determined by using the average cost method of accounting.

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3.6. Trade and other receivables

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

Property, plant and equipment (“PP&E”)

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

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

Borrowing costs are capitalized on equipment under construction.

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

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

3.7. Impairment of long-lived assets

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

Recoverable amounts are determined based on discounted cash flows calculations, and of asset price evaluation, which require the use of estimates.

During the year-ended December 31, 2015, an impairment loss on long-lived assets was recognized by the Group (Notes 13 and 22).

3.8. 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 a minimum risk of changes in value.

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.

3.9. Investments in associates and joint ventures

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

The requirements of IAS 36 - Impairment of Assets are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investees. When deemed necessary, the entire carrying amount of the investee is tested for impairment in accordance with IAS 36, as a single asset by comparing its recoverable amount (higher of value in use, measured by the discounted cash flows, and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investee. The reversal of an impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investee subsequently increases, other than where that impairment loss relates to goodwill. No impairment losses have been recognised on the Group's investments in associates and joint ventures.

When a Group entity transacts with an investee, profit and losses resulting from such transactions are recognised in the Company's consolidated financial statements only to the extent of interests in the investees that are not related to the Group.

3.10. Provisions

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

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Revenue recognition

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

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

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

3.11. 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 recognised in profit or loss in the period in which they are incurred.

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3.12. Current and deferred income tax and social contribution

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

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

3.13. Financial instruments

Financial assets and liabilities

Financial assets and liabilities are initially recognised at fair value plus the costs directly attributable to their purchase or issue. Subsequent to initial recognition, the financial non-derivative assets and liabilities are measured as of each balance sheet date 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 variations and variations arising from fair value measurement, are recognised 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 (Note 25.a).

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

iii. Loans and receivables: these include non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, which after initial recognition are measured based on the amortised cost under the effective interest rate method. The interest, monetary and exchange variations, less losses in recoverable amount, when applicable, are recognised in profit or loss as financial revenues or expenses, when incurred. For the years presented, the Group has cash and bank deposits, trade and other receivables and receivables from related parties in this category (Note 25.a).

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

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

i. Financial liabilities measured at fair value through profit 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 recognised in profit or loss, when incurred. For the years presented, the Group has derivative financial instruments in this category (Note 25.a).

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ii. Financial liabilities not measured at fair value: non-derivative financial liabilities that are not normally traded prior to maturity. After initial recognition they are measured on the amortised cost based on the effective interest rate method. The interest, monetary and exchange variations, when applicable, are recognised in profit or loss when incurred. For the years presented, the Group has loans and financings, trade and other payables and payables to related parties in this category (Note 25.a).

Impairment of financial assets

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

Derivative financial instruments

The Group enters into derivative financial instruments, including interest rate swaps, to manage its exposure to interest rate risk. These derivatives are measured at fair value at inception and at the end of each reporting period. The resulting gain or loss is recognised 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.

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A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised 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 (twelve) months and it is not expected to be realised or settled within 12 (twelve) months.

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

Hedge accounting

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

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

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

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

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

Derecognition of financial assets and financial liabilities

Financial assets are derecognised 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 derecognised 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 use judgement and develop estimates for the carrying amounts of assets and liabilities, which are not easily obtainable from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Therefore, future results could differ from those estimates.

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

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

4.1. Measurement of financial instruments

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

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. Provision for impairment of trade and other receivables

The Group recognises a provision for impairment on trade and other receivables when there is objective evidence that a loss event occurred after the initial recognition of the receivable and has an impact on the estimated future cash flows, which can be reliably estimated. Such evidence includes insolvency, defaults or a significant probability of a debtor filing for bankruptcy.

4.3. Provisions for claims and other obligations

Claims against the Group, including unasserted claims or assessments are recognised as a liability and/or are disclosed in Notes 3.12, 16 and 17, unless the loss probability 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 the Group's control and, therefore, the assessment of these liabilities is subject to varying degrees of legal uncertainty and interpretation, and requires significant estimates and judgments to be made by Management.

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

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

4.4. Useful lives of PP&E

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

As described in Note 3.7, at the end of each year, the Group reviews the estimated useful lives of PP&E. No significant changes were identified.

4.5. Impairment of long-lived assets

Determining whether PP&E is impaired requires an estimation of the recoverable amount. The net selling price (a.k.a. fair value method) requires the Group to estimate the price that would be received to sell an asset. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the related asset or cash-generating unit, a suitable discount rate in order to calculate present value and other business and economic assumptions.

During the year ended December 31, 2015, an impairment loss on long-lived assets was recognized by the Group (Notes 13 and 22).

4.6. Provision for employee profit sharing plan

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

4.7. Outcome of agreement negotiations

In the normal course of business, the Group engages in agreements 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 uncertainties in the outcome of negotiations, which may have a material impact on the assets and liabilities of the Group (Note 16).

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5. CONSOLIDATED ENTITIES AND INVESTMENTS

		Ownership interest (%)			
		December 31,			
		2015		2014	
Consolidated entities	Place of incorporation	Direct	Indirect	Direct	Indirect
Alaskan & Atlantic Cooperatief U.A.	Netherlands	-	100.00	-	100.00
Alaskan & Atlantic Rigs B.V.	Netherlands	-	100.00	-	100.00
Alaskan Star Ltd. (“Alaskan”)	British Virgin Islands	-	100.00	-	100.00
Alpha Star Equities Ltd. (“Alpha”)	British Virgin Islands	-	100.00	-	100.00
Amaralina Cooperatief U.A.	Netherlands	-	55.00	-	55.00
Amaralina Star Ltd. (“Amaralina”)	British Virgin Islands	-	55.00	-	55.00
Angra Participações B.V. (“Angra”)	Netherlands	100.00	-	100.00	-
Arazi S.à.r.l. (“Arazi”)	Luxembourg	100.00	-	100.00	-
Atlantic & Alaskan Rigs Ltd.	British Virgin Islands	-	100.00	-	100.00
Becrux B.V.	Netherlands	-	100.00	-	100.00
Belcher Group Inc.	British Virgin Islands	-	100.00	-	100.00
Bonvie Investments Inc.	British Virgin Islands	-	100.00	-	100.00
Brava Drilling B.V.	Netherlands	-	100.00	-	-
Brava Star Ltd.	British Virgin Islands	-	100.00	-	100.00
Centaurus S.à.r.l. (“Centaurus”)	Luxembourg	100.00	-	100.00	-
Constellation Netherlands B.V.	Netherlands	100.00	-	100.00	-
Constellation Services Ltd. (“Constellation Services”)	British Virgin Islands	-	100.00	-	100.00
Constellation Overseas Ltd. (“Constellation Overseas”)	British Virgin Islands	-	100.00	-	100.00
Domenica S.A. (“Domenica”)	Paraguay	-	100.00	-	100.00
Dorgaly Technologies Inc.	British Virgin Islands	-	100.00	-	100.00
Eiffel Ridge Group C.V.	Netherlands	-	100.00	-	100.00
Gold Star Equities Ltd. (“Gold”)	British Virgin Islands	-	100.00	-	100.00

		Ownership interest (%)			
		December 31,			
		2015		2014	
Consolidated entities	Place of incorporation	Direct	Indirect	Direct	Indirect
Hopelake Services Ltd.	British Virgin Islands	-	100.00	-	100.00
Keam Holdings C.V.	Netherlands	-	100.00	-	100.00
Laguna Cooperatief U.A.	Netherlands	-	55.00	-	55.00
Laguna Star Ltd. (“Laguna”)	British Virgin Islands	-	55.00	-	55.00
Lancaster Projects Corp. (“Lancaster”)	British Virgin Islands	-	100.00	-	100.00
London Tower International Drilling C.V.	Netherlands	-	100.00	-	100.00
London Tower Management B.V.	Netherlands	-	100.00	-	100.00
Lone Star Offshore Ltd. (“Lone”)	British Virgin Islands	-	100.00	-	100.00
Manisa Serviços de Petróleo Ltda.	Brazil	-	55.00	-	55.00
Melbhouse Park Ltd.	British Virgin Islands	-	100.00	-	100.00
New Canyon City Inc.	British Virgin Islands	-	100.00	-	100.00
Olinda Star Ltd. (“Olinda”)	British Virgin Islands	-	100.00	-	100.00
Palase C.V.	Netherlands	-	55.00	-	55.00
Palase Management B.V.	Netherlands	-	100.00	-	100.00
Podocarpus C.V.	Netherlands	-	55.00	-	55.00
Podocarpus Management B.V.	Netherlands	-	100.00	-	100.00
Positive Investments C.V.	Netherlands	-	100.00	-	100.00
Positive Investments Management B.V.	Netherlands	100.00	-	100.00	-
QGOG Atlantic / Alaskan Rigs Ltd.	British Virgin Islands	-	100.00	-	100.00
QGOG Participações S.A.	Brazil	-	100.00	-	100.00
QGOG Perforaciones S.A.C.	Peru	-	100.00	-	-
QGOG Star GmbH	Switzerland	100.00	-	100.00	-
Queiroz Galvão Óleo e Gás S.A. (“QGOG”) (*)	Brazil		74.50		74.50
Snover International Inc.	British Virgin Islands	-	100.00	-	100.00
Star International Drilling Ltd. (“Star”)	Cayman Island	-	100.00	-	100.00
Tarsus Serviços de Petróleo Ltda.	Brazil	-	55.00	-	55.00
Domenica Argentina S.A.	Argentina	-	100.00	-	-
Constellation Panamá Corp.	Panamá	-	100.00	-	-

(*) As described in Note 3.2, QGOG is consolidated without the consideration of non-controlling interests.

Investments accounted for by the equity method

		Ownership interest (%)			
		December 31,			
		2015		2014	
Entities	Place of incorporation	Direct	Indirect	Direct	Indirect
Associates					
FPSO Capixaba Venture S.A. (“Capixaba”) (1)	Switzerland	-	20.0	-	20.0
SBM Espírito do Mar Inc. (“Espírito do Mar”) (1)	Switzerland	-	20.0	-	20.0
Urca Drilling B.V.	Netherlands	-	15.0	-	15.0
Bracuhy Drilling B.V.	Netherlands	-	15.0	-	15.0
Mangaratiba Drilling B.V.	Netherlands	-	15.0	-	15.0
Joint Ventures					
Tupi Nordeste Ltd. (2)	Bermuda	-	20.0	-	20.0
Tupi Nordeste S.à.r.l. (2)	Luxembourg	-	20.0	-	20.0
Guará Norte S.à.r.l (3)	Luxembourg	-	12.75	-	12.75
Guará Norte Holding Ltd. (3)	Bermuda	-	12.75	-	12.75
Alfa Lula Alto S.à.r.l. (4)	Luxembourg	-	5.00	-	5.00
Alfa Lula Alto Holding Ltd. (4)	Bermuda	-	5.00	-	5.00
Beta Lula Central S.à.r.l. (5)	Luxembourg	-	5.00	-	5.00
Beta Lula Central Holding Ltd. (5)	Bermuda	-	5.00	-	5.00

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

The Group’s investments in associates and joint ventures are accounted for by the equity method of accounting in these consolidated financial statements (Note 12).

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6. CASH AND CASH EQUIVALENTS

	December 31, 2015	December 31, 2014
Cash and bank deposits	42,772	74,097
Cash equivalents (*)	112,038	72,982
Total	154,810	147,079

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

Cash equivalents are comprised by the following time deposits:

Financial institution	Currency	Average interest rate (per annum)	December 31, 2015	December 31, 2014
Itaú BBA Nassau	U.S. dollar	0.30%	44,417	47,558
Citibank	U.S. dollar	0.38%	56,092	25,001
Bradesco S.A. Grand Cayman	U.S. dollar	0.35%	11,529	423
Total			112,038	72,982

7. SHORT-TERM INVESTMENTS

Short-term investments	Financial institution	Currency	Average interest rate (per annum)	December 31, 2015	December 31, 2014
Time deposits (i)	HSBC Bank	U.S. dollar	0.06%	9,500	1,608
Time deposits (i)	Citibank	U.S. dollar	0.30%	8,349	-
Time deposits (i)	Itaú BBA Nassau	U.S. dollar	1.17%	91,439	-
Time deposits (i)	ING Bank	U.S. dollar	0.20%	12,477	32,669
Time deposits (i)	Bradesco Grand Cayman	U.S. dollar	1.27%	103,340	-
Time deposits (i)	Banco do Brasil S.A.	U.S. dollar	0.95%	8,058	-
Time deposits (i)	Deutsche Bank	U.S. dollar	0.13%	-	17,887
CDB (ii)	Banco do Nordeste do Brasil S.A - BNB	Brazilian real	100% of CDI(iii)	-	14,310
Repurchase agreements (iv)	HSBC Bank	Brazilian real	100% of CDI(iii)	1,279	-
Repurchase agreements (iv)	Bradesco S.A.	Brazilian real	100.17% of CDI(iii)	12,429	16,996
Total				246,871	83,470

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

(ii) Brazilian Bank Deposit Certificate (Certificado de Depósito Bancário - CDB).

(iii) Brazilian Interbank Deposit Certificate (Certificado de Depósito Interbancário – CDI).

(iv) Refers to agreements in which the financial institution has a commitment to repurchase the asset back from the Group in the future.

Atendimento Prisma

8. RESTRICTED CASH

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

These accounts refer to the financing agreements related to the construction of the Lone Star, Gold Star and Brava Star offshore drilling rigs, with original maturity of less than 12 (twelve) months (Note 11). Since the financing related to the construction of the Lone Star offshore drilling rig was fully paid on January 2015, the restricted cash account currently refers to the financing agreements related to the construction of the Gold Star and Brava Star offshore drilling rigs.

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

			December 31,	
Restricted cash	Financial institution	Average interest rate (per annum)	2015	2014
Bank deposits	Citibank N.A.	-	9,800	-
Time deposits	ING Bank	0.25%	11,944	37,842
Total			21,744	37,842

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9. TRADE AND OTHER RECEIVABLES

Trade receivables are mainly related to receivables from Petrobras for charter and service-rendering agreements relating to the drilling rigs and drillships used in the exploration of oil and gas in Brazil. Except for the receivables from HRT O&G Exploração e Produção de Petróleo Ltda. ("HRT") described below, 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 of approximately 30 days. Details of financial risk management related to credit risk are disclosed in Note 25.c.

As of December 31, 2015 and 2014, overdue accounts are mainly comprised by receivables from HRT amounting US$2,907 and US$4,273, respectively. The Group has fully recognised an allowance for doubtful accounts for the receivables from HRT. Such recognition is due to the delay in collecting HRT receivables related to the QG-VIII and QG-IX onshore drilling rigs operations performed between April and June 2014, in the amounts of US$2,050 and US$2,223, respectively. HRT contests some of the charter and service-rendering agreements' terms and decided for the non-payment. On June 30, 2014, the Group decided to terminate the agreements in accordance with its terms and conditions, with the interruption of the charter and service-rendering and then entered into a legal dispute in order to, among other objectives, collect the overdue amounts. The Group had recorded in other current liabilities the amount of US$5,052 related to advances made by HRT and in December 2014, the Group recognised the revenue arising from the appropriation of the remaining amount of advances received from HRT. As disclosed in Note 17.b, the aforementioned legal dispute terminated on February 17, 2016, through a court settlement agreement, and thus the overdue amount will no longer be received. Since the termination of the aforementioned agreements, the Group is seeking for new customers for QG-VIII and QG-IX.

10. INVENTORIES

Inventories refer basically to materials to be used in the onshore and offshore drilling rigs and drillships operations. The amounts recognised in the consolidated statement of operations are accounted for as cost of services in the account “Materials” (Note 21).

11. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries that are part of the Group are eliminated for consolidation purposes and are not disclosed in the table below.

The consolidated intercompany balances as of December 31, 2015 and 2014, and transactions for the years then ended are as follows:

	December 31,				Year-ended December 31,	
	2015		2014		2015	2014
	Assets	Liabilities	Assets	Liabilities	Income/ (expenses)	Income/ (expenses)
Alperton Capital Ltd. [a]	309,901	288,694	280,378	265,406	6,235	8,890
Tupi Nordeste S.à.r.l. [b]	-	-	-	-	-	118
Guará Norte S.à.r.l.[b]	-	-	5,051	-	9	166
Queiroz Galvão S.A. [c]	-	590	-	1,331	(1,689)	(4,256)
FPSO Capixaba Venture S.A. [d]	908	-	900	-	9	10
SBM Espírito do Mar B.V. [e]	4,429	-	4,196	-	233	221
Sete Brasil Participações S.A. [f]	-	-	570	-	(317)	2,490
Beta Lula Central S.à.r.l. [g]	-	-	33,285	-	768	655
Alfa Lula Alto S.à.r.l. [g]	-	-	-	-	52	391
SBM Holding Inc. [h]	-	-	9,590	1,339	-	9,590
Tupi Nordeste Operações Marítimas Ltda. [i]	1,059	-	1,432	-	1,529	2,059
Guará Norte Operações Marítimas Ltda. [i]	276	-	1,328	-	-	1,369
BW NISA Ltd. [j]	-	-	-	-	3,028	-
Others	224	33	272	49	27	86
Total	316,797	289,317	337,002	268,125	9,884	21,789
Current	1,417	623	13,042	2,719		
Non-current	315,380	288,694	323,960	265,406		

Atendimento Prisma

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

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

The receivables from Alperton refer to the loans receivable bearing interest at 12% p.a., annually compounded, up to the sixth anniversary of the sub-charter agreement with Petrobras. Thereafter, the loans receivable will bear interest at 13% p.a., annually compounded.

Repayment of interest and principal is scheduled to occur on a quarterly basis as from one year after the "Date of Acceptance" of the drillships by Petrobras, with the principal being repayable in quarterly installments over the 6-year term of the Petrobras charter agreement, starting from the "Date of Acceptance", provided that Amaralina and Laguna comply with the financing agreement conditions to pay dividends. The amounts payables refer to intercompany loans provided by Alperton to Amaralina and Laguna with the same terms and conditions of the Group's receivable amounts from Alperton.

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

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

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

Atendimento Prisma

The Group charges a fee to Alperton for being the guarantor of Amaralina Star and Laguna Star drillships project financings and a fee for being the guarantor for importations under the Special Regime of Temporary Admission (*Regime Aduaneiro Especial de Importação e Exportação de Bens Destinados à Pesquisa e Lavra de Petróleo e Gás* - REPETRO). For the years ended December 31, 2015 and 2014, the fees charged to Alperton totaled US$6,235 and US$8,890, respectively.

Non-compliance with the agreements between the Group and Alperton could result in penalties to either entities. As of December 31, 2015, the Group was in compliance with the requirements of the respective agreements.

(b) The Group signed shareholders' agreements with its partners to regulate their relationship in the entities that constructed, charter and operate the FPSOs Cidade de Paraty and Cidade de Ilhabela for Petrobras. As of December 31, 2014, loans receivables refer to milestone payments made by the Group in proportion to its participation in the FPSO Cidade de Ilhabela, through Guará Norte S.à.r.l.. The loans bear interest rate at the London Interbank Offered Rate ("LIBOR") plus 3% p.a., with no maturity date.

On January 19, 2015, the Group received the amount of US$5,060 from Guará Norte S.à.r.l., in connection with the payment made by Petrobras related to the acceptance of the FPSO Cidade de Ilhabela.

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

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

(e) The loan receivable from SBM Espírito do Mar B.V. bears an effective interest rate of 5.56% p.a., with maturity at the end of the charter agreement period between SBM Espírito do Mar Inc. and Petrobras (2022).

(f) On August 3, 2012, Angra Participações B.V. (“Angra”) signed three shareholders’ agreements in which the Group acquired a 15% equity interest in three special purpose entities (“SPEs”), each one owning an ultra-deepwater semi-submersible rig (Urca, Bracuhy and Mangaratiba offshore drilling rigs) in partnership with Sete Brasil Participações S.A. (“Sete Brasil”). In the same day, the partnership signed charter agreements of these offshore drilling rigs with Petrobras. The receivable amounts as of December 31, 2015 and 2014 and the income for the years then ended refer to a fee charged by the Group related to the drilling rigs’ project management. On December 31, 2015, the Group fully recognised an allowance for doubtful accounts for the receivables in the amount of US$3,260, due to the delay in collecting such receivables.

(g) In January and February 2014, the Group signed shareholders’ loan agreements with Alfa Lula and Beta Lula, which regulate the shareholders’ loans to such entities that will construct, charter and operate the FPSOs Cidade de Maricá and Cidade de Saquarema for Petrobras, respectively (Notes 12 and 25). As of December 31, 2014, the loan receivable amount refer to milestones payments made by the Group in proportion to its participation in the FPSO Cidade de Saquarema. The loan bears interest at LIBOR plus 3% p.a. with no maturity date.

(h) As of December 31, 2014, the receivable amount refers to a payment due by SBM Holding Inc. (“SBM”) to the Group, in connection with the terms that regulates the relationship of these entities as shareholders of Guará Norte S.à.r.l. and Guará Norte Holding Ltd.. As of December 31, 2014, the payable amount refers to costs charged by SBM to the Group related to a bid not won by the partnership with SBM, which was paid in 2015. The changes recorded in the receivable amount during the year ended December 31, 2015 refers to: (i) cash inflow amounting to US$38,713 related to the FPSO Cidade de Saquarema shareholders loan, in connection with the disbursement of the first tranche of the related FPSO loan facility (Notes 1 and 12); and (ii) a non-cash transaction (Note 28) in which the Group paid the eighth milestone related to the FPSO Cidade de Saquarema construction through the compensation of such receivable, comprised by US$4,660 related to intercompany loans to Beta Lula Central S.à.r.l. (Note 12.g) and US$4,930 related to capital increase in Beta Lula Central S.à.r.l. (Note 12).

Atendimento Prisma

(i) As of December 31, 2015 and 2014, the receivable amounts and the income for the year ended December 31, 2015, from Tupi Nordeste Operações Marítimas Ltda. and SBM Offshore do Brasil Ltda. are related to labor costs reimbursement regarding the operation of the FPSO Cidade de Paraty and FPSO Cidade de Ilhabela, respectively.

(j) The income for the year ended December 31, 2015, refers to an indemnization received from BW NISA Ltd. in June 2015, related to the FPSO P-63 general operating costs incurred by the Group.

Key management personnel remuneration for the years ended December 31, 2015 and 2014, is as follows:

	Year ended December 31,	
	2015	2014
Key management personnel compensation (*)	7,754	11,480

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

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

The cash compensation for each member of key management is mainly comprised by base salary and bonus. The compensation that is paid to key management is evaluated on an annual basis considering the following primary factors: individual performance during prior year, market rates and movements and the individual's anticipated contribution to the Group's growth. Members of key management are also eligible to participate in the Group's retirement benefit plans (Note 27).

12. INVESTMENTS

	December 31, 2015							
	Number of shares (thousands)	Ownership interest (%)	Authorized share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Shareholders' equity (deficiency)
Associates:								
FPSO Capixaba Venture S.A.	100	20.00%	82	3,498	-	63,929	34,938	(95,369)
SBM Espírito do Mar Inc.	100	20.00%	88	988	267,772	64,873	(5,194)	209,081
Urca Drilling B.V. [3]	90	15.00%	€90k	(1,272)	696,621	385,380	234,350	75,619
Bracuhy Drilling B.V. [3]	90	15.00%	€90k	(10,939)	406,680	144,624	248,698	2,419
Mangaratiba Drilling B.V. [3]	90	15.00%	€90k	95	109,330	5,199	97,443	6,783
Joint Ventures:								
Tupi Nordeste S.à.r.l.	20	20.00%	20	167,274	1,130,031	103,330	748,403	445,572
Tupi Nordeste Holding Ltd.	12	20.00%	12	12,035	2,434	29,644	-	(15,175)
Guará Norte S.à.r.l. [4]	50,200	12.75%	50,200	115,287	1,599,079	122,408	1,013,479	578,479
Guará Norte Holding Ltd. [4]	12	12.75%	12	15,590	296	21,515	-	(5,629)
Alfa Lula Alto S.à.r.l. [4]	65,200	5.00%	65,200	822	1,779,079	106,340	1,412,466	261,095
Alfa Lula Alto Holding Ltd. [4]	5	5.00%	12	30	304	-	34	300
Beta Lula Central S.à.r.l. [4]	65,200	5.00%	65,200	1,995	1,497,854	1,800	1,201,771	296,278
Beta Lula Central Holding Ltd. [4]	5	5.00%	12	30	251	-	30	251

	December 31, 2014							
	Number of shares (thousands)	Ownership interest (%)	Authorized share capital	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Shareholders' equity (deficiency)
Associates:								
FPSO Capixaba Venture S.A.	100	20.00%	82	3,807	-	51,956	19,596	(67,745)
SBM Espírito do Mar Inc.	100	20.00%	88	1,280	261,980	76,773	15,523	170,964
Urca Drilling B.V. [3]	90	15.00%	€90k	2,314	651,448	356,776	214,823	82,163 (*)
Bracuhy Drilling B.V. [3]	90	15.00%	€90k	1,812	392,306	140,894	232,922	20,302 (*)
Mangaratiba Drilling B.V. [3]	90	15.00%	€90k	112	98,992	34,212	57,970	6,922
Joint Ventures:								
Tupi Nordeste S.à.r.l.	20	20.00%	20	160,447	1,154,258	155,060	789,314	370,331
Tupi Nordeste Holding Ltd.	12	20.00%	12	6,083	5,281	22,766	-	(11,402)
Guará Norte S.à.r.l. [4]	50,200	12.75%	50,200	288,314	1,641,604	199,328	1,103,288	627,302
Guará Norte Holding Ltd. [4]	12	12.75%	12	3,231	606	3.043	-	794
Alfa Lula Alto S.à.r.l. [4]	65,200	5.00%	65,200	261	1,202,485	152,603	1,011,568	38,575
Alfa Lula Alto Holding Ltd. [4]	5	5.00%	12	273	244	-	13	278
Beta Lula Central S.à.r.l. [4]	65,200	5.00%	65,200	157	1,033,447	691	665,245	367,668
Beta Lula Central Holding Ltd. [4]	5	5.00%	12	266	244	-	13	278

(*) On the shareholders' equity amounts related to Urca Drilling B.V. and Bracuhy Drilling B.V. are included the amounts of US$1,582 and US$12,535, respectively, related to advances for future capital increase made by Sete Brasil.

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

	Investees' comprehensive income (loss)					
	Year ended December 31,					
	2015			2014		
	Net income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)	Net income (loss)	Other comprehensive income (loss)	Total comprehensive income (loss)
Associates:						
FPSO Capixaba Venture S.A.	(30,724)	3,100	(27,624)	(41,092)	(1,478)	(42,570)
SBM Espírito do Mar Inc.	38,116	-	38,116	32,749	-	32,749
Urca Drilling B.V. [3]	(4,577)	(525)	(5,102)	(717)	(128)	(845)
Bracuhy Drilling B.V. [3]	(5,240)	(107)	(5,347)	(568)	(5)	(573)
Mangaratiba Drilling B.V. [3]	(76)	(64)	(140)	(104)	11	(93)
Joint Ventures:						
Tupi Nordeste S.à.r.l.	72,927	12,310	85,237	69,978	(620)	69,358
Tupi Nordeste Holding Ltd.	(8,801)	5,023	(3,778)	(11,143)	2,478	(8,665)
Guará Norte S.à.r.l. [4]	92,056	(978)	91,078	132,016	(46,774)	85,242
Guará Norte Holding Ltd. [4]	(7,243)	819	(6,424)	512	245	757
Alfa Lula Alto S.à.r.l. [4]	111	(26,432)	(26,321)	(48)	(48,929)	(48,977)
Alfa Lula Alto Holding Ltd. [4]	22	-	22	(4)	-	(4)
Beta Lula Central S.à.r.l. [4]	(44)	(23,623)	(23,667)	(51)	-	(51)
Beta Lula Central Holding Ltd. [4]	(27)	-	(27)	(4)	-	(4)

The amounts presented in the table above correspond to the investee's results and comprehensive income/ (loss) before applying the Group's ownership interest.

Atendimento Prisma

Changes in investments

	Asset (liability) balance as of December 31, 2014	Capital contributions [2]	Capital decrease [6]	Share of results	Share of comprehensive income/ (loss)	Asset (liability) balance as of December 31, 2015
Associates:						
FPSO Capixaba Venture S.A.	(13,549)	-	-	(6,145)	620	(19,074)
SBM Espírito do Mar Inc.	34,193	-	-	7,623	-	41,816
Urca Drilling B.V. [3]	11,965	144	-	(687)	(79)	11,343
Bracuhy Drilling B.V. [3]	1,165	-	-	(786)	(16)	363
Mangaratiba Drilling B.V. [3]	1,038	-	-	(11)	(10)	1,017
Joint ventures:						
Tupi Nordeste S.à.r.l.	74,067	-	(2,000)	14,585	2,462	89,114
Tupi Nordeste Holding Ltd.	(2,280)	-	-	(1,760)	1,005	(3,035)
Guará Norte S.à.r.l. [4]	79,981	-	(17,837)	11,737	(125)	73,756
Guará Norte Holding Ltd. [4]	101	-	-	(923)	104	(718)
Alfa Lula Alto S.à.r.l. [4]	1,929	12,442	-	6	(1,322)	13,055
Alfa Lula Alto Holding Ltd. [4]	14	-	-	1	-	15
Beta Lula Central S.à.r.l. [4]/[7]	18,383	4,564	(6,950)	(2)	(1,181)	14,814
Beta Lula Central Holding Ltd. [4]	14	-	-	(1)	-	13
Total	207,021	17,150	(26,787)	23,637	1,458	222,479
Total assets (investments)	222,850					245,306
Total liabilities (accumulated deficit in investments) [1]	(15,829)					(22,827)

	Asset (liability) balance as of December 31, 2013	Capital contributions [2]	Capital decrease [5]	Share of results	Share of comprehensive income	Asset (liability) balance as of December 31, 2014
Associates						
FPSO Capixaba Venture S.A.	(5,035)	-	-	(8,218)	(296)	(13,549)
SBM Espírito do Mar Inc.	27,643	-	-	6,550	-	34,193
Urca Drilling B.V. [3]	7,978	4,114	-	(108)	(19)	11,965
Bracuhy Drilling B.V. [3]	1,008	243	-	(85)	(1)	1,165
Mangaratiba Drilling B.V. [3]	1,052	-	-	(16)	2	1,038
Joint ventures						
Tupi Nordeste S.à.r.l.	60,195	-	-	13,996	(124)	74,067
Tupi Nordeste Holding Ltd.	(547)	-	-	(2,229)	496	(2,280)
Guará Norte S.à.r.l. [4]	58,958	10,155	-	16,832	(5,964)	79,981
Guará Norte Holding Ltd. [4]	4	-	-	66	31	101
Alfa Lula Alto S.à.r.l. [4]	22,168	5,325	(23,116)	(2)	(2,446)	1,929
Alfa Lula Alto Holding Ltd. [4]	-	14	-	-	-	14
Beta Lula Central S.à.r.l. [4]	21,844	7,865	(11,323)	(3)	-	18,383
Beta Lula Central Holding Ltd. [4]	-	14	-	-	-	14
Total	195,267	27,730	(34,439)	26,783	(8,321)	207,021
Total assets (investments)	200,850					222,850
Total liabilities (accumulated deficit in investments) [1]	(5,582)					(15,829)

(1) The liability to fund the deficit in FPSO Capixaba Venture S.A., Tupi Nordeste Holding Ltd. and Guará Norte Holding Ltd. is recognised in “Other current liabilities”.

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

(3) Although the Group has a participation of 15% in Urca Drilling B.V., Bracuhy Drilling B.V. and Mangaratiba Drilling B.V., each, the Group has significant influence over the investees’ decisions due to the following reasons: (i) the Group’s indirect subsidiary, QGOG, will be sole operator of the offshore drilling rigs; (ii) each Urca Drilling B.V., Bracuhy Drilling B.V. and Mangaratiba Drilling B.V. will have 2 (two) directors, and the Group will appoint 1 (one) of them, although these directors will only execute the planning approved by shareholders resolutions; and (iii) some matters that shall be subject to unanimous shareholders’ approval just with the purpose of investment protection of non-controlling interests.

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

(5) Refer to amendments executed in January and February 2014, to the agreements that regulate the Group’s relationship with its partners in the FPSOs Cidade de Maricá and Cidade de Saquarema, respectively, in order to change the capital structure of the related projects (Note 8). Previous capital structures of the projects were comprised by 100% of equity contributions. In August 2014, the Group received US$11,621 related to equity contributions to Alfa Lula Alto S.à.r.l. in order to advance funds for the construction of the FPSO Cidade de Maricá, in connection with the disbursement of the first tranche of the related FPSO loan facility (Note 1).

(6) On January 19, 2015, the Group received the amount of US$13,375 from Guará Norte S.à.r.l., in connection with the payment made by Petrobras related to the acceptance of the FPSO Cidade de Ilhabela. On August 14, 2015, the Group also received the amount of US$1,275 from Guará Norte S.à.r.l.. On August 27, 2015, the Group received the amount of US$6,950 from Beta Lula Central S.à.r.l., in connection with the disbursement of the first tranche of the FPSO Cidade de Saquarema loan facility (Note 1). On December 16, 2015, the Group also received the amount of US$3,188 from Guará Norte S.à.r.l.. On December 16, 2015, the Group also received the amount of US$2,000 from Tupi Nordeste S.à.r.l..

(7) Of the capital increase in Beta Lula Central S.à.r.l. during the the year ended December 31, 2015, US$2,621 refers to a non-cash transaction (Notes 12.h and 28).

Atendimento Prisma

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

FPSO Capixaba

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

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

Urca, Bracuhy and Mangaratiba offshore drilling rigs

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

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

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

Partnership with Sete Brasil

Atendimento Prisma

The Company, through Angra Participações B.V. ("Angra"), one of its subsidiaries, is a minority shareholder in the following associate entities with Sete Brasil's subsidiaries: Urca Drilling B.V. ("Urca"), Bracuhy Drilling B.V. ("Bracuhy") and Mangaratiba Drilling B.V. ("Mangaratiba"). The majority shareholder is Sete International One GmbH ("Sete International"), a subsidiary of Sete Brasil.

The external financing foreseen in the Financial Guidelines of the Shareholders' Agreement is currently behind schedule. These financial resources are required to complete the construction of the semi-submersible drilling rigs. The delay on the achievement of such external financing indicates the existence of a material uncertainty that may cast significant doubt about the associate entities' ability to continue as a going concern.

On December, 17, 2015, Angra exercised a put option whereby it has formalized its intention to cease its ownership interest in the aforementioned associate entities, by transferring its shares to Sete International in accordance to the Shareholders' Agreement. To date, such transfer has not occurred.

The financial statements of Urca, Bracuhy and Mangaratiba for the year ended December 31, 2015 have not been issued to date (the financial statements for the year ended December 31, 2014 were not yet approved by all shareholders of such associate entities).

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

FPSO Cidade de Paraty

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

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

FPSO Cidade de Ilhabela

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

- ✓ Guará Norte Holding Ltd.'s main activity is to support operations for agreements in the offshore oil and gas industry. This entity is a shareholder of a Brazilian entity, Guará Norte Operações Marítimas Ltda., which operates the FPSO Cidade de Ilhabela to Petrobras for a 20-year period.

FPSO Cidade de Maricá

- ✓ Alfa Lula Alto S.à.r.l. owns the FPSO Cidade de Maricá, which started its operations on February 7, 2016 after achieving first oil and completing a 72-hour continuous production test (Final Acceptance). On July 12, 2013, the Group entered into a 20-year agreement to charter the FPSO Cidade de Maricá to the Consortium BM-S-11. As of December 31, 2015, the Group has future capital commitments amounting to US$8,9 million for the FPSO Cidade de Maricá construction conclusion.

  On July 28, 2014, the Group and its partners SBM Lux, Mitsubishi and NYK Line, through the joint venture Alfa Lula Alto S.à.r.l., signed a loan agreement amounting to US$1.45 billion with a pool of international commercial banks, in order to finance the construction of the FPSO Cidade de Maricá. The loan agreement was structured as a Limited Recourse Project Finance and will be repaid on a quarterly basis as from April 2016 over a period ending December 2029. Until December 31, 2015, Alfa Lula Alto S.à.r.l. disbursed US$1,3 billion and with part of the proceeds repaid the full amount of the shareholders loan and part of the capital contributions made by the Group (Notes 12 and 13).

Atendimento Prisma

The financing obtained by Alfa Lula Alto S.à.r.l. in order to finance the construction of the FPSO Cidade de Maricá was structured as a Project Finance, therefore benefiting from a customary security package and, exclusively during the pre-completion period, corporate guarantees that are provided by the sponsors of the project loan, up to the limit of its participation in Alfa Lula Alto S.à.r.l..

During the pre-completion period, the financing obtained by Alfa Lula Alto S.à.r.l. is subject to financial covenants. Noncompliance with such financial covenants could constitute an event of default under the project loan, which would result in the acceleration of debt repayment and the borrower entity not being allowed to pay dividends, purchase, retire or otherwise distribute capital stock and make certain payments to related parties.

The financial covenants consist of: (i) a minimum requirement of Consolidated Tangible Net Worth; (ii) a minimum requirement of Consolidated Cash and Cash Equivalents and Marketable Securities; (iii) Interest Cover Ratio, which requires maintenance of a minimum Consolidated Adjusted EBITDA to Consolidated Net Interest Payable ratio; (iv) Leverage Ratio, which requires a maximum ratio of Consolidated Net Total Borrowings to Consolidated Adjusted EBITDA. Consolidated refers to the Group.

The financial covenants are assessed semi-annually based on the consolidated financial statements as of December 31 and June 30 of each year. As of December 31 and June 30, 2015, the Group was in compliance with such restrictive clauses.

- ✓ Alfa Lula Alto Holding Ltd.'s main activity will be to support operations for agreements in the offshore oil and gas industry. This entity is a shareholder of a Brazilian entity, Alfa Lula Alto Operações Marítimas Ltda., which will operate the FPSO Cidade de Maricá to Petrobras for a 20-year period.

Atendimento Prisma

FPSO Cidade de Saquarema

- ✓ Beta Lula Central S.à.r.l. owns the FPSO Cidade de Saquarema, which is expected to be delivered and start its operations in the third quarter of 2016. On July 12, 2013, the Group entered into a 20-year agreement to charter the FPSO Cidade de Saquarema to the Consortium BM-S-11. As of December 31, 2015, the Group has capital commitments amounting to US$6,4 million for the conclusion of the construction of the FPSO Cidade de Saquarema.

On July 27, 2015, the Group and its partners SBM Lux, Mitsubishi and NYK Line, through the joint venture Beta Lula Central S.à.r.l., signed a loan agreement amounting to US$1.55 billion with a pool of international commercial banks, in order to finance the construction of the FPSO Cidade de Saquarema. The loan agreement was structured as a Limited Recourse Project Finance and will be repaid on a quarterly basis as from September 2016 over a period ending June 2030. Until December 31, 2015, Beta Lula Central S.á.r.l. disbursed US$1.3 billion and with part of the proceeds repaid the full amount of the shareholders loan and part of the capital contributions made by the Group (Notes 12 and 13).

The financing obtained by Beta Lula Central S.à.r.l. in order to finance the construction of the FPSO Cidade de Saquarema was structured as a Project Finance, therefore benefiting from a customary security package and, exclusively during the pre-completion period, corporate guarantees that are provided by the sponsors of the project loan, up to the limit of its participation in Beta Lula Central S.à.r.l..

During the pre-completion period, the financing obtained by Beta Lula Central S.à.r.l. is subject to financial covenants. Noncompliance with such financial covenants could constitute an event of default under the project loan, which would result in the acceleration of debt repayment and the borrower entity not being allowed to pay dividends, purchase, retire or otherwise distribute capital stock and make certain payments to related parties.

The financial covenants consist of: (i) a minimum requirement of Consolidated Tangible Net Worth; (ii) a minimum requirement of Consolidated Cash and Cash Equivalents and Marketable Securities; (iii) Interest Cover Ratio, which requires maintenance of a minimum Consolidated Adjusted EBITDA to Consolidated Net Interest Payable ratio; (iv) Leverage Ratio, which requires a maximum ratio of Consolidated Net Total Borrowings to Consolidated Adjusted EBITDA. Consolidated refers to the Group.

The financial covenants are assessed semi-annually based on the consolidated financial statements as of December 31 and June 30 of each year. As of December 31 and June 30, 2015, the Group was in compliance with such restrictive clauses.

- ✓ Beta Lula Central Holding Ltd.'s main activity will be to support operations for agreements in the offshore oil and gas industry. This entity is a shareholder of a Brazilian entity, Beta Lula Central Operações Marítimas Ltda., which will operate the FPSO Cidade de Maricá to Petrobras for a 20-year period.

  Additionally, the Group has the right to acquire from SBM Lux an additional participation of 5% in Alfa Lula Alto S.à.r.l., Alfa Lula Alto Holding Ltd., Beta Lula Central S.à.r.l. and Beta Lula Central Holding Ltd. within fifteen days of the FPSOs final acceptance, based on the capital invested by SBM Lux plus interest of 8% p.a. The Group did not exercise such right in relation to FPSO Cidade de Maricá.

Atendimento Prisma

Other matters regarding the Group's investments

Partnership with SBM Offshore N.V. – Contingent Liability

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

In November 2014, SBM Offshore announced that it had reached an out-of-court settlement agreement with the Dutch Public Prosecutor's Office (*Openbaar Ministerie*) over the inquiry into alleged improper payments to sales agents in Equatorial Guinea, Angola and Brazil in the period from 2007 through 2011, which consisted of a payment by SBM Offshore to the *Openbaar Ministerie* of US$240 million. In February 2016, SBM Offshore announced that the United States Department of Justice had re-opened its past inquiry of SBM Offshore and had made information requests in connection with that inquiry. SBM Offshore is seeking further clarification about the scope of the inquiry.

In February 2015, SBM Offshore announced that is a party in a number of investigations of alleged improper payments to Brazilian government officials, notably by the Federal Public Prosecutor's Office (*Ministério Público Federal - MPF*), the Federal Accounts Tribunal (*Tribunal de Contas da União - TCU*) and the CGU. In March 2015, SBM Offshore announced that it had signed a Memorandum of Understanding with the CGU and the Attorney General's Office (*Advocacia Geral da União - AGU*), setting a framework between SBM Offshore, CGU and AGU for discussions on a potential mutually acceptable settlement and for the disclosure by SBM Offshore of information relevant to the CGU's investigations. As the discussions with the Brazilian authorities have not been concluded yet, it is not possible to state anything on the outcome of the investigation, but failure to comply with anti-corruption laws, once established, could give rise to criminal prosecution of individuals by Brazilian authorities, and civil claims or administrative proceedings against the companies involved. In February 2016, SBM Offshore announced that the discussions with Brazilian authorities had progressed to the point where it had recorded a provision of US$245 million for a possible settlement, although timing and the size of any potential final settlement amount remain to be confirmed.

As of the date of these consolidated financial statements, it is not possible to reasonably estimate the impact, if any, of this matter on the Company's consolidated financial statements, although the Company's management does not expect to incur in any losses as a result of the resolution of this matter by SBM Offshore.

Atendimento Prisma

Atendimento Prisma

13. PROPERTY, PLANT AND EQUIPMENT

		Drilling rigs and drillships in operation [2]											
	Drillship under construction [1]	Drillships			Offshore drilling rigs						Onshore drilling rigs, equipment and bases	Corporate	Total
		Brava Star	Amaralina Star	Laguna Star	Alaskan Star	Atlantic Star	Alpha Star	Gold Star	Lone Star	Olinda Star			
Cost													
Balance as of December 31, 2013	237,056	-	639,435	648,258	378,480	344,367	721,214	537,949	640,477	532,319	173,277	28,831	4,881,663
Additions	394,656	-	5,974	2,309	711	447	692	4,967	7,787	10,567	14,861	2,255	445,226
Disposals	-	-	-	-	-	-	-	-	-	-	-	(133)	(133)
Currency translation adjustments	-	-	-	-	-	-	-	-	-	-	(11,473)	(1,907)	(13,380)
Balance as of December 31, 2014	631,712	-	645,409	650,567	379,191	344,814	721,906	542,916	648,264	542,886	176,665	29,046	5,313,376
Additions	56,881	3,187	7,312	6,485	760	1,851	716	43,491	25,133	15,123	1,807	660	163,406
Disposals	-	-	-	-	-	-	-	-	-	-	(41)	(316)	(357)
Transfers	(688,593)	688,593	-	-	-	-	-	-	-	-	-	-	-
Currency translation adjustments	-	-	-	-	-	-	-	-	-	-	(27,478)	(4,611)	(32,089)
Balance as of December 31, 2015	-	691,780	652,721	657,052	379,951	346,665	722,622	586,407	673,397	558,009	150,953	24,779	5,444,336
Accumulated depreciation and impairment													
Balance as of December 31, 2013	-	-	(32,553)	(28,412)	(84,074)	(91,507)	(75,429)	(88,761)	(82,834)	(104,367)	(75,183)	(16,909)	(680,029)
Depreciation	-	-	(26,139)	(26,287)	(16,403)	(14,737)	(25,810)	(10,196)	(25,561)	(22,569)	(12,250)	(1,871)	(191,823)
Disposals	-	-	-	-	-	-	-	-	-	-	-	99	99
Currency translation adjustments	-	-	-	-	-	-	-	-	-	-	6,364	881	7,245
Balance as of December 31, 2014	-	-	(58,692)	(54,699)	(100,477)	(106,244)	(101,239)	(108,957)	(108,395)	(126,936)	(81,069)	(17,800)	(864,508)
Depreciation	-	(10,418)	(26,261)	(26,380)	(16,304)	(14,794)	(25,865)	(22,681)	(26,667)	(24,575)	(10,448)	(2,863)	(207,256)
Disposals	-	-	-	-	-	-	-	-	-	-	41	215	256
Impairment losses recognised in profit or loss [3]	-	-	-	-	-	-	-	-	-	(44,585)	(18,527)	-	(63,112)
Currency translation adjustments	-	-	-	-	-	-	-	-	-	-	16,031	2,276	18,307
Balance as of December 31, 2015	-	(10,418)	(84,953)	(81,079)	(116,781)	(121,038)	(127,104)	(131,638)	(135,062)	(196,096)	(93,972)	(18,172)	(1,116,313)
Property, plant and equipment, net													
December 31, 2014	631,712	-	586,717	595,868	278,714	238,570	620,667	433,959	539,869	415,950	95,596	11,246	4,448,868
December 31, 2015	-	681,362	567,768	575,973	263,170	225,627	595,518	454,769	538,335	361,913	56,981	6,607	4,328,023
Average useful life (years)		23	25	25	23	23	28	27	26	24	17	15	

(1) As of December 31, 2014, the balance of drillship under construction refers to the costs incurred in the Brava Star drillship construction.

Borrowing costs are capitalized based on the effective interest rates of each financing agreement. For the years ended December 31, 2015 and 2014, borrowing costs capitalized in PP&E totaled US$13,890 and US$13,709, respectively (Notes 15, 19 and 28).

(2) The Group's assets that are pledged as security for financing agreements are also disclosed in Note 15.

(3) On December 31, 2015, the Group conducted an impairment test for its onshore and offshore drilling rigs and drillships. The impairment test resulted in an impairment loss recognition in the amount of US$44,585 related to the Olinda Star offshore drilling rig and US$18,527 related to seven onshore drilling rigs. The impairment loss for the offshore drilling rig was based on future market expectations for day rates in the oil and gas sector. The estimated future cash flows are primarily based on expectations regarding day rates, drilling rigs and drillships utilization and operating costs. The cash flows are estimated over the remaining useful economic lives of the drilling rigs and drillships and discounted using the weighted average cost of capital ("WACC"). The assumptions used in the estimated future cash flows were derived from unobservable data and are based on Management's judgments and assumptions available at the time of performing the impairment test. The impairment loss for onshore drilling rigs was calculated by determining fair value less costs of disposal of these assets. The impairment losses have been included in profit or loss in the "Other income/ (expenses)" (Note 22).

Atendimento Prisma

Atendimento Prisma

14. LOANS AND FINANCINGS

Financial institution	Funding type	Objective	Beginning period	Maturity	Contractual interest rate	Effective interest rate	Currency	December 31, 2015	December 31, 2014
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.	U.S. dollar	259,247	369,351
HSBC, BAML and Citibank (joint bookrunners)	Senior Unsecured Notes ("Corporate Bond")	Prepay working capital loans	Nov/2012	Nov/2019	6.25%p.a.	6.86%p.a.	U.S. dollar	695,653	692,919
						Subtotal - fixed interest rate		954,900	1,062,270
Bradesco	Loan	Working capital	Sep/2014	May/2017	Libor+3.05%p.a.	3.05%p.a.	U.S. dollar	152,197	55,568
Bradesco	Loan	Working capital	Jan/2015	Jan/2017	Libor+4.80%p.a.	5.16%p.a.	U.S. dollar	76,681	-
						Subtotal - variable interest rate loans		228,878	55,568
ING (leader arranger)	Financing	Gold Star rig construction(1)	Jul/2007	Dec/2017	Libor+1.15%p.a. to Libor+1.35%p.a.	1.47%p.a.	U.S. dollar	122,171	190,324
ING (leader arranger)	Financing	Lone Star rig construction(2)	Jul/2007	Jan/2015	Libor+1.15%p.a.	1.38%p.a.	U.S. dollar	-	95,278
Citibank and Santander (joint leader arrangers)	Financing	Alpha Star rig construction	Apr/2011	Jul/2017	Libor+2.50%p.a.	3.61%p.a.	U.S. dollar	260,323	329,437
BNP, Citi and ING (leader arrangers) and The Norwegian Ministry of Trade and Industry ("MTI")	Financing	Amaralina Star drillship construction	May/2012	Oct/2018(3)	Libor+2.75%	4.01%p.a.	U.S. dollar	296,185	347,522
BNP, Citi and ING (leader arrangers) and The Norwegian Ministry of Trade and Industry ("MTI")	Financing	Laguna Star drillship construction	May/2012	Dec/2018(3)	Libor+2.75%	4.17%p.a.	U.S. dollar	303,407	354,328
BNP, Citi, ING and DNB and Eksportkreditt Norge ("EKN")	Financing	Brava Star drillship construction	May/2015	Sep/2020(4)	Libor+2.00%	3.73%p.a.	U.S. dollar	455,486	-
						Subtotal - variable interest rate financings		1,437,572	1,316,889
							Total	2,621,350	2,434,727
							Current	390,075	417,979
							Non-current	2,231,275	2,016,748

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

(2) The repayment proceeds of this financing derive from the charter receivables of the Gold Star offshore drilling rig.

(3) The maturity dates for MTI tranches for Amaralina Star and Laguna Star project financings are December 2020 and January 2021, respectively. Such maturity dates would be anticipated for October 2018 and December 2018, respectively, if the commercial banks do not extend the maturity date of their financings to December 2020 and January 2021, respectively.

(4) The maturity date for EKN tranche of Brava Star project financing is September 2025. Such maturity date would be anticipated for September 2020, if the commercial banks do not extend the maturity date of their financings to September 2025.

a) Changes in loans and financings

	Year-ended December 31,	
	2015	2014
Balance as of January 1	2,434,727	3,003,258
Additions [(*)]	644,863	55,000
Transaction costs	(8,453)	-
Proceeds from loans and financings, net of transaction costs	636,410	55,000
Principal repayment	(462,478)	(631,733)
Interest capitalized	12,521	13,709
Interest payment	(104,286)	(109,459)
Subtotal	2,516,894	2,330,775
Interest charged through profit and loss	94,830	94,078
Transaction cost charged through profit and loss	7,679	7,742
Debt discounts charged through profit and loss	1,947	2,132
Financial expenses on loans and financings	104,456	103,952
Balance as of December 31,	2,621,350	2,434,727

(*) Brava Star drillship loan facility and working capital credit lines.

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On November 21, 2014, the Company, through its subsidiary Brava Star Ltd., signed a loan agreement amounting to US$475 million with a pool of international commercial banks and export credit agencies in order to finance the construction of the Brava Star drillship. The loan agreement was structured as a Limited Recourse Project Finance to be repaid over a 5-year period bearing interest rate at LIBOR plus 2% p.a. Of such loan facility, US$464,396 (US$458,105, net of transaction costs) was disbursed on May 26, 2015, in connection to milestone payments based upon the drillship delivery by Samsung (Note 12).

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

b) Loans and financings long term amortization schedule

Year ending December 31,	Gross amount	Transaction costs	Debt discounts	Net amount
2017	717,857	(6,589)	(1,596)	709,672
2018	513,311	(5,677)	(1,455)	506,179
2019	747,486	(2,734)	(1,191)	743,561
2020	273,048	(1,185)	-	271,863
Total	2,251,702	(16,185)	(4,242)	2,231,275

c) Covenants

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

The financial covenants consist of: (i) a minimum requirement of Consolidated Tangible Net Worth; (ii) a minimum requirement of Consolidated Cash and Cash Equivalents and Marketable Securities; (iii) Interest Cover Ratio, which requires maintenance of a minimum Consolidated Adjusted EBITDA to Consolidated Net Interest Payable ratio (which calculations are subject to defined adjustments mainly related to borrowings to Project Finance); and (iv) Leverage Ratio, which requires a maximum ratio of Consolidated Net Total Borrowings to Consolidated Adjusted EBITDA (which calculations are subject to defined adjustments mainly related to borrowings to Project Finance). Consolidated refers to the Group.

The financial covenants are assessed semi-annually based on the consolidated financial statements as of December 31 and June 30 of each year. As of December 31 and June 30, 2015 the Group was in compliance with such restrictive clauses.

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

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d) Guarantees

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

The aforementioned conditions are applied to the following offshore drilling rigs financings: Gold Star, Alpha Star, Alaskan Star and Atlantic Star; and the Project Financing of Amaralina Star, Laguna Star and Brava Star drillships.

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

15. ACCRUED LIABILITIES

The drillship under mobilization was recorded considering the incurred costs of the related project based on information provided by the Samsung shipyard and other suppliers. These costs were recognized in PP&E and the respective amounts of unbilled costs were recognized as accrued liabilities, as follows:

	December 31,	
	2015	2014
Drillship under mobilization:		
Brava Star drillship	-	390,697
Total	-	390,697

In May 2015, in connection with Brava Star drillship's project financing disbursement (Note 14.a), the Group fully paid the amounts due to Samsung and other suppliers.

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16. PROVISIONS

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

	Year-ended December 31,	
	2015	2014
Balance as of January 1	1,551	7,525
Amaralina Star penalty reversal	-	(2,625)
Laguna Star penalty reversal	-	(4,819)
Brava Star penalty provision addition (*)	3,318	1,551
Foreign exchange rate variations	(299)	-
Others	-	(81)
Balance as of December 31	4,570	1,551

(*) Calculated based on the effective delivery date of the Brava Star offshore drilling rig to Petrobras.

17. PROVISION FOR CONTINGENCIES

a) Contingent assets

The Group has not recognised contingent assets.

b) Contingent liabilities assessed as probable losses

During the normal course of its business activities, the Group is exposed to labor, civil and tax claims. Regarding each claim or exposure, Management has assessed the probability that the matter resolution would ultimately result in a financial loss for the Group. Therefore, based on such assessment, as of December 31, 2015, provisions to cover probable losses included in "other non-current liabilities" are mainly related to labor claims (hardship and retirement) and a civil litigation with HRT regarding the early termination of the QG-VIII and QG-IX onshore drilling rigs agreements (Note 9).

In the said civil litigation, the Group pursued the collection of the invoices related to April, May and June 2014, and payment of loss and damages, while HRT pursued the repayment of the amounts previously advanced to the Group. On October 20, 2015, the Rio de Janeiro Court (*Tribunal de Justiça do Rio de Janeiro*) demanded QGOG to make a judicial deposit in the amount of R$13.2 million (corresponding to approximately US$3.3 million) related to the advance received from HRT. QGOG proceeded with the deposit.

QGOG and HRT entered into a court settlement agreement to terminate these legal disputes and on February 17, 2016, the Rio de Janeiro Court accepted the agreement in which HRT would receive R$2.3 million (US$601) from the above mentioned judicial deposit and the remaining amount would be returned to QGOG. As a result, such amount of US$601 is included as a loss provision as of December 31, 2015.

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

	Year-ended December 31,	
	2015	2014
Balance as of January 1	1,355	924
Additions	1,068	1,080
Reversals	(386)	(470)
Currency translation adjustments	(533)	(179)
Balance as of December 31	1,504	1,355

c) Contingent liabilities assessed as possible losses

Based on the Group's in-house legal counsel and external legal advisors' opinions, these claims are not accrued in the consolidated financial statements and consist of labor lawsuits (mainly comprised by compensation due to work related accidents and occupational diseases) in the amount of US$11,588 (US$11,969 as of December 31, 2014), tax lawsuits in the amount of US$21,061 (US$5,356 as of December 31, 2014) and civil lawsuits in the amount of US$26 (US$9,006 as of December 31, 2014).

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

i. On September 15, 2010, QGOG received a Notice of Violation issued by the tax authorities due to nonpayment of Services Tax ("ISS") in the city of Rio de Janeiro. QGOG argues, on appeal, that the operations were carried out in other municipalities and the taxes were collected under their tax jurisdictions (ISS due to the site of the service provider). As of December 31, 2015 and 2014, the estimated amount involved is US$3,526 and US$4,427, respectively.

ii. On January 22, 2015, QGOG received a Notice of Violation issued by the Brazilian Internal Revenue Service (*Receita Federal do Brasil - RFB*) related to Social Integration Program ("PIS") and Social Investment Program ("COFINS") collected in the years 2010 and 2011. The RFB initiated a Tax Administrative Process, whereby it requires QGOG to make tax payments, due to the fact that the RFB considered that QGOG made use of improper tax credits aiming to reduce its PIS and COFINS obligations. On February 23, 2015, QGOG argued on appeal in order to contest RFB's tax assessment. As of December 31, 2015, the estimated amount involved is US$16,671.

The main civil lawsuit assessed as possible loss as of December 31, 2014, was related to the litigation with HRT in the amount of US$8,249. As described in Note 17.b, such lawsuit was closed on February 17, 2016, through a court settlement agreement that resulted in the amount of US$601 being recorded as a loss provision as of December 31, 2015.

d) Tax, labor and social security matters

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

e) Other matters

Petrobras withholding taxes

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

18. DERIVATIVES

Under the terms of the Project Finance arrangements (Note 14), the Group is contractually required to manage its risk on variable interest rates by eliminating variable-to-fixed interest rate swaps on its long-term variable rate loans. Accordingly, in order to mitigate such risk, interest rate swaps are used to convert the variable component of interest rates to fixed rates ranging from 1.50% p.a. to 5.16% p.a.. The floating component of interest rate of all derivatives agreements is US$ LIBOR.

These swaps protect the Group from fluctuations in interest rates. As of December 31, 2015, the Group has interest rate swaps related to the loans funding Gold Star and Alpha Star offshore drilling rigs, and Amaralina Star, Laguna Star and Brava Star drillships. The swap agreements cover the expected periods of the loans and terminate between 2017 and 2020.

Information on derivative agreements

Interest rate swaps US$ LIBOR/Pre-fixed rate

Financial institution	Loans and financings objective	Payable leg interest rate (per annum)	Maturity	Notional amount Dec. 31, 2015	Notional amount Dec. 31, 2014	Fair value Dec. 31, 2015	Fair value Dec. 31, 2014
ING financing (leader arranger)	Gold Star construction	5.16%	Jul/2017	100,640	154,633	4,435	10,504
ING financing (leader arranger)	Lone Star construction	1.50%	Jan/2015	-	71,250	-	229
Citibank and Santander financing (joint leader arranger)	Alpha Star construction	1.93%	Jul/2017	262,852	332,312	3,611	6,736
		Non-designated to hedge accounting		363,492	558,195	8,046	17,469
BNP, Citibank and ING financing (joint leader arranger) (*)	Amaralina Star construction	2.81%	Oct/2018	305,282	357,279	10,845	15,648
BNP, Citibank and ING financing (joint leader arranger) (*)	Laguna Star construction	2.90%	Dec/2018	313,249	364,549	12,065	17,076
BNP, Citi, ING financing and DNB (mandated leader arranger) (*)	Brava Star construction	1.79%	Sep/2020	209,021	-	1,693	-
BNP, ING financing (mandated leader arranger) (*)	Brava Star construction	1.84%	Sep/2020	207,792	-	2,030	-
		Designated to hedge accounting		1,035,344	721,828	26,633	32,724
		Total amount		1,398,836	1,280,023	34,679	50,193
		Non-current assets				896	-
		Current liabilities				24,377	28,445
		Non-current liabilities				11,198	21,748

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	Year-ended December 31, 2015	2014
Balance as of January 1,	50,193	78,389
Fair value adjustments capitalized	1,369	-
Fair value adjustments through profit and loss	6,827	6,414
Fair value adjustments through other comprehensive income(*)	10,137	7,900
Cash payments	(33,847)	(42,510)
Balance as of December 31,	34,679	50,193

(*) The Group has adopted the hedge accounting as from July 15, 2011, using derivative agreements related to Amaralina Star and Laguna Star drillships construction. The Group has adopted the hedge accounting using the derivative agreement related to Brava Star drillship construction as from June 4, 2015 (Note 25). Accordingly, the effect of the changes in the fair value of the derivative agreements designated to hedge accounting are recorded in "Other Comprehensive Income/ (Loss)" until the completion of the construction of the unit and the disbursement of the related financing agreement. At the completion date of the unit construction, the fair value adjustments balance recognised in "Other Comprehensive Income/(Loss)" are capitalized.

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

Derivative agreements designated as cash flow hedges

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

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

19. SHAREHOLDERS' EQUITY

a. Share capital

As of December 31, 2015 and 2014, the Company's share capital amounts to US$63,200 comprised by 189,227,364 ordinary shares, with no par value, as follows:

	December 31, 2015 and 2014			
		Rights over the amounts		
Shareholders	Ordinary shares	Share capital	Share premium	Total
QGOG International	140,293,142	46,857	568,328	615,185
Constellation Coinvestment S.à.r.l.	15,570,123	5,200	63,075	68,275
Constellation Holding S.à.r.l.	17,739,099	5,925	71,861	77,786
CGPE VI L.P.	303,125	101	1,228	1,329
CIPEF VI QGOG S.à.r.l.	15,321,875	5,117	62,069	67,186
Total	189,227,364	63,200	766,561	829,761

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

b. Legal reserve

In accordance with Luxembourg Corporate Law, the shareholders of a *société anonyme* must allocate 5% of the Company's annual profit of its individual financial information, after deduction of any losses brought forward from previous years, to the minimum legal reserve. Such allocation must consider the Company's statutory financial statements prepared in accordance with Luxembourg Generally Accepted Accounting Principles ("LuxGAAP").

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

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For the year ended December 31, 2015, the Company did not constitute legal reserve due to the fact that it has no retained earnings for the year then ended in accordance with LuxGAAP.

c. Shareholders distribution policy

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

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

On December 21, 2015, as approved by the extraordinary general meeting of shareholders, the Company fully paid the amount of US$66,000 as partial repayment of the share premium account, as reflected in the Company's stand-alone statutory financial statements prepared in accordance with LUXGAAP. In accordance with Luxembourg tax law, the repayment of share premium was not subject to withholding tax.

For the purposes of the Company's consolidated financial statements prepared in accordance with IFRS/IASB, such payment was presented as dividends. The payment approved on an extraordinary basis is compliant with the covenants under the Group's existing financing agreements (Note 14).

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d. Other Comprehensive Items (OCI)

Cash flow hedging reserve

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

Foreign currency translation adjustments reserve

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

Changes in Other Comprehensive Items

Changes in comprehensive income for the years ended December 31, 2015 and 2014, are as follows:

	Cash flow hedge fair value adjustments attributable to					
	Owners of the Group	Non-controlling interests	Total	Share of investments other comprehensive loss	Currency translation adjustments	Total
Balance as of December 31, 2013	5,553	4,545	10,098	(7,009)	12,237	15,326
Fair value adjustment on:						
Derivative agreements	(4,345)	(3,555)	(7,900)	-	-	(7,900)
Joint ventures' derivative agreements	-	-	-	(8,534)	-	(8,534)
Associates' financial assets	-	-	-	(18)	-	(18)
Exchange differences:						
On investments arising during the year	-	-	-	231	-	231
Arising during the year	-	-	-	-	(9,205)	(9,205)
Balance as of December 31, 2014	1,208	990	2,198	(15,330)	3,032	(10,100)
Fair value adjustment on:						
Derivative agreements	(7,250)	(2,887)	(10,137)	-	-	(10,137)
Joint ventures' derivative agreements	-	-	-	(166)	-	(166)
Associates' financial assets	-	-	-	(105)	-	(105)
Exchange differences:						
On investments arising during the year	-	-	-	1,729	-	1,729
Arising during the year	-	-	-	-	(21,883)	(21,883)
Balance as of December 31, 2015	(6,042)	(1,897)	(7,939)	(13,872)	(18,851)	(40,662)

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e. Non-controlling interests

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

f. Profit per share

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

	Year-ended December 31,	
	2015	2014
Profit attributable to the owners of the Group	294,403	339,931
Weighted average number of ordinary shares for calculation purposes (thousands of shares) (*)	189,227	189,227
Basic and diluted profit per share	1.56	1.80

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

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20. NET OPERATING REVENUE

The Group's operating revenue is mainly derived from charter and service-rendering agreements. As of December 31, 2015 and 2014, Petrobras has accounted for 96% and 98%, respectively, of total revenues.

Net operating revenue is presented after the following items:

	Year-ended December 31,	
	2015	2014
Gross operating revenue	1,087,038	1,129,572
Taxes levied on revenue:		
Social Integration Program (PIS)	(3,510)	(4,100)
Social Investment Program (COFINS)	(16,177)	(18,920)
Services Tax (ISS)	(4,143)	(4,885)
Withholding Income tax (IRRF)	(5,614)	-
Net operating revenue	1,057,594	1,101,667

21. COST OF SERVICES AND OPERATING EXPENSES

	Year-ended December 31,					
	2015			2014		
Costs and expenses by nature	Cost of services	General and administrative expenses	Total	Cost of services	General and administrative expenses	Total
Payroll, charges and benefits	(169,198)	(22,018)	(191,216)	(228,276)	(31,206)	(259,482)
Depreciation	(206,455)	(801)	(207,256)	(190,756)	(1,067)	(191,823)
Materials	(61,694)	-	(61,694)	(86,309)	-	(86,309)
Maintenance	(57,011)	-	(57,011)	(66,662)	-	(66,662)
Insurance	(18,323)	-	(18,323)	(19,996)	-	(19,996)
Other [(1)/(2)]	(23,019)	(21,083)	(44,102)	(35,984)	(24,443)	(60,427)
	(535,700)	(43,902)	(579,602)	(627,983)	(56,716)	(684,699)

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

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

22. OTHER INCOME (EXPENSES), NET

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	Year-ended December 31,	
	2015	2014
Recovered Taxes [(*)]	13,434	-
Contractual fee	-	9,590
Revenue from sales of PP&E	367	198
Property rental	190	358
Other income	13,991	10,146
Provision of Impairment (Note 13)	(63,112)	-
Penalties (Note 16)	(3,318)	(1,470)
Cost of PP&E sold	(101)	(34)
Reversal of (expenses with) transaction costs	204	(779)
Other expenses	(66,327)	(2,283)
Total income (expenses), net	(52,336)	7,863

(*) Refers to (i) tax reimbursement in the amount of US$ 2,186, received from the Swiss Tax Authority related to withholding income tax levied on dividends received from SBM Espírito do Mar Inc. during 2013; and (ii) net effect of Social Security Contribution over Gross Revenue (CPRB) expense and recovered Social Contribution over payroll (INSS), in the amount of US$ 11,248 (Note 24).

23. FINANCIAL EXPENSES, NET

	Year-ended December 31,	
	2015	2014
Interest on short-term investments	3,926	4,207
Financial income from related parties	7,254	10,451
Other financial income	158	147
Financial income	11,338	14,805
Financial expenses on loans and financings	(104,456)	(103,952)
Derivative expenses	(6,827)	(6,414)
Financial expenses from related parties	(1,689)	(4,256)
Other financial expenses	(6,722)	(6,138)
Financial expenses	(119,694)	(120,760)
Foreign exchange rate variations, net	218	(760)
Financial expenses, net	(108,138)	(106,715)

24. TAXES

Most of the Group's entities are located in jurisdictions that do not charge income tax. Additionally, certain of the Company's subsidiaries operate in the Netherlands, Switzerland and Luxembourg, but none of these reported taxable income for the years presented.

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

a) Recoverable taxes

	December 31,	
	2015	2014
Social Security Contribution (INSS) (1)	10,742	-
Income tax (IRPJ) and social contribution (CSLL) (2)	-	3,284
Total	10,742	3,284

(1) Maintenance revenues generated by QGOG are subjected to Social Security Contribution over Gross Revenue (CPRB), instead of QGOG being charged of Social Contribution over payroll (INSS). Based on that, the Group recalculated the amounts of CPRB payable and INSS recoverable and on December 2015, recognized the applicable INSS credits, net of the applicable CPRB debts.

(2) Mainly refers to withholding taxes on Petrobras invoices.

b) Taxes payables

	December 31,	
	2015	2014
Income tax (IRPJ) and social contribution (CSLL)	6,999	157
Services Tax (ISS)	1,873	2,250
Social Integration Program (PIS) and Social Investment Program (COFINS)	687	968
Total	9,559	3,375

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c) Deferred tax assets

	December 31,	
	2015	2014
Income tax (IRPJ) and social contribution (CSLL) (*)	2,378	5,453
Taxes levied on revenue (PIS/COFINS/ISS)	200	1,350
Total	2,578	6,803
Current	200	1,056
Non-current	2,378	5,747

(*) Refer to temporary differences and tax loss carryforwards from QGOG's operations aiming the compensation in the foreseeable future based on reliable taxable profits estimate.

d) Effect of income tax results

The tax rate used for the years-ended December 31, 2015 and 2014 reconciliations below refers to the corporate nominal tax rate of 34% in accordance with Brazilian tax legislation, jurisdiction in which QGOG (Brazilian subsidiary) operates.

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

	Year-ended December 31,	
	2015	2014
Profit before taxes	341,155	344,899
Income tax and social contribution at nominal rate (*)	(24,788)	(6,627)
Adjustments to derive effective tax rate:		
Non-deductible expenses	(1,889)	(1,961)
Deferred income tax on temporary differences	1,759	11,547
Other	472	787
Taxes	(24,247)	3,746
Current taxes	(26,006)	(6,442)
Deferred taxes	1,759	10,188

(*) Nominal tax rate applied on QGOG's profit before tax.

25. FINANCIAL INSTRUMENTS

a) General considerations

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

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The Group's main financial instruments are cash and cash equivalents, short-term investments, restricted cash, trade and other receivables and payables, receivables from (payables to) related parties, loans and financings and derivatives, as follows:

		December 31,			
		2015		2014	
	Category	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and bank deposits	Loans and receivables	42,772	42,772	74,097	74,097
Cash equivalents	Fair value through profit or loss	112,038	112,038	72,982	72,982
Short-term investments	Fair value through profit or loss	246,871	246,871	83,470	83,470
Restricted cash	Fair value through profit or loss	21,744	21,744	37,842	37,842
Trade and other receivables	Loans and receivables	109,455	109,455	102,313	102,313
Receivables from related parties	Loans and receivables	316,797	316,797	337,002	337,002
Financial liabilities					
Loans and financings	Other financial liabilities	2,621,350	2,183,821	2,434,727	2,170,421
Trade and other payables	Other financial liabilities	26,566	26,566	30,650	30,650
Payables to related parties	Other financial liabilities	289,317	289,317	268,125	268,125
Derivatives	Fair value through profit or loss	35,575	35,575	50,193	50,193

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

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

Except for loans and financings, Management also believes that the carrying amounts of the remaining financial instruments do not significantly differ from their fair value as it considers that interest rates on such instruments are not significantly different from market rates.

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

b) Fair value hierarchy

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

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

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

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

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

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

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

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Financial instruments fair value measurement

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

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

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

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

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

In the evaluation carried out for 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, due to the following reasons:

- ✓ Trade and other receivables and payables: very short-term of maturity; and
- ✓ Loans and financings (other than Project Bond and Corporate Bond) and receivables from and payables to related parties: the fair value information has not been disclosed for these instruments because it cannot be measured reliably.

c) Financial risk management

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

<u>Liquidity risk</u>

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

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

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.

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

Period	Loans and financings	Derivatives	Trade payables	Payables to related parties	Total
2016	496,046	22,806	26,566	7,107	552,525
2017	806,880	10,044	-	1,690	818,614
2018	588,306	3,236	-	5,390	596,932
2019	803,375	(226)	-	64,828	867,977
2020	281,368	(547)	-	405,260	686,081
Total	2,975,975	35,313	26,566	484,275	3,522,129

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 financial institutions with high credit ratings or at mutual funds, which invest exclusively in high quality money market instruments. The Group limits the exposure amount to any one financial institution to minimize its credit risk exposure.

For the years-ended December 31, 2015 and 2014, Petrobras has accounted for 96% and 98%, respectively, of total revenues. Therefore, management considers that the credit risk arising from this concentration is minimal, considering that Petrobras is a government controlled entity with a history of full payment.

Petrobras is an independent third party of the Group and has valid agreements until 2036 (including the agreements entered into by the Group's associate and joint venture entities).

As disclosed in Note 1, following the press release issued by Petrobras on December 29, 2014, QGOG received a notice from Petrobras, which temporarily suspended it from entering into direct contracts and participating in bids for new contracts. This notice did not impact any of the existing contracts between QGOG and Petrobras. QGOG disagreed with the temporary suspension, and thus contested this suspension in order to reverse it. On November 20, 2015, the CGU decided to exclude QGOG from the administrative procedure and, subsequently Petrobras reversed the aforementioned temporary suspension and also closed the administrative procedure against QGOG.

The majority of the Group's fleet is hired under long-term agreements. Moreover, the Group owns an offshore fleet that can operate globally and is seeking customer diversification and internationalization as part of its strategy, capitalizing on its strong operational track record.

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Market Risk (interest rate risk)

The Group is exposed to interest rate risk due to the fact that Group entities borrow funds at both fixed and variable interest rates. The Group manages such risk by maintaining an appropriate mix between fixed and variable rate borrowings and by using interest rate swap instruments. The Group is exposed to fluctuations in US$ LIBOR interest rates charged on its loans and financings (Note 14). The Group manages the interest rate risk related to the project financing agreements by eliminating variable-to-fixed interest rate swaps (Note 18).

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. These interest rate swaps are held at fair value in the consolidated statement of financial position (Note 18). The fair value of these instruments is affected by factors including market expectations for future changes to US$ LIBOR. Changes to these expectations affect the value of the Group's swaps, producing effects in the consolidated statement of operations and consolidated statement of comprehensive income unless such changes are capitalized.

Interest rate sensitivity analysis

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

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

		December 31, 2015	
Risk: interest rate variation	December 31, 2015	Scenario I Increase of 0.1% in interest rate	Scenario II Decrease of 0.1% in interest rate
	US$	Increase / (decrease) in P&L	Increase / (decrease) in P&L
Variable interest rate loans (Note 14)	228,878	(229)	229
Variable interest rate financings (Note 14)	1,437,572	(1,438)	1,438
Derivatives (Note 18)	(1,398,836)	1,399	(1,399)
Total	38,736	(39)	39
		Increase / (decrease) in OCI	Increase / (decrease) in OCI
Hedge derivatives (Note 18)	(1,035,344)	1,035	(1,035)

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d) Capital management

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

	December 31,	
	2015	2014
Loans and financings [(a)]	2,621,350	2,434,727
Cash transactions [(b)]	(423,425)	(268,391)
Net debt	2,197,925	2,166,336
Shareholders' equity [(c)]	2,448,418	2,228,072
Net debt ratio [(a) + (b)] ÷ [(a) + (b) + (c)]	47%	49%

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

26. INSURANCE

As of December 31, 2015 and 2014, major assets or interests covered by insurance policies and their respective amounts are summarized below:

	December 31,	
	2015	2014
Civil liability	2,542,958	2,199,419
Operating risks	5,358,127	5,394,122
Operational headquarter and others	13,426	15,439
Total	7,914,511	7,608,980

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

27. PENSION PLAN

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

For the years-ended December 31, 2015 and 2014, contributions payable by QGOG at rates specified by the plan rules amounted to US$1,269 and US$1,920, respectively.

28. ADDITIONAL INFORMATION ON CASH FLOWS

	Years-ended December 31,	
	2015	2014
Non-cash investing activities:		
Recognition (derecognition) of accrued costs of the drillship under mobilization (Note 15)	(390,697)	347,777
Borrowing costs capitalized, net of hedging adjustments (Notes 13, 14 and 18)	13,890	13,709
Capital increase in Beta Lula Central S.à.r.l. (Notes 12.h and 13)	2,621	-
Capital decrease in Alfa Lula Alto S.à.r.l. (Notes 12 and 13)	-	11,495
Capital decrease in Beta Lula Central S.à.r.l. (Notes 12 and 13)	-	11,323
Intercompany loans to Beta Lula Central S.à.r.l. (Notes 12.g and 12.h)	4,660	-
	(369,526)	384,304

29. SUBSEQUENT EVENTS

FPSO Cidade de Maricá start of operations

On February 7, 2016, the FPSO Cidade de Maricá started its operations after achieving its first oil and completing a 72-hour continuous production test (Note12).

New agreement for QG-I onshore drilling rig

On February 15, 2016, the Group signed an agreement to charter and render drilling services for Amerisur Resources PLC and Amerisur S.A. The drilling operations are schedule to begin in April 2016 and shall have a minimum term of 40 days. The agreement aims to drill one oil well in Paraguay, using the onshore drilling rig QG-I.

30. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on March 17, 2016.

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